

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name <b>COUNTY OF LUCE, MICHIGAN</b>	County <b>LUCE</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>4/21/05</b>	Date Accountant Report Submitted to State: <b>6/30/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☒ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).	✓		

Certified Public Accountant (Firm Name) <b>ANDERSON, TACKMAN &amp; CO., PLC</b>			
Street Address <b>16978 S. RILEY AVENUE</b>	City <b>KINCHELOE</b>	State <b>MI</b>	ZIP <b>49788</b>
Accountant Signature <i>Anderson Tackman &amp; Co PLC</i>			Date <b>6/30/05</b>

**COUNTY OF LUCE, MICHIGAN**

**BASIC FINANCIAL STATEMENTS**

December 31, 2004

**LUCE COUNTY, MICHIGAN**

**ORGANIZATION**

**MEMBERS OF THE COUNTY COMMISSION**

CHAIR PERSON	NANCY MORRISON
VICE CHAIR PERSON	TERRY STARK
COMMISSIONER	DENNIS ROBINSON
COMMISSIONER	RICHARD PRICE
COMMISSIONER	PHYLLIS FRENCH

**APPOINTED/ELECTED OFFICIALS**

COUNTY TREASURER	DEBORAH JOHNSON
COUNTY CLERK	KATHY MAHAR

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

PHILLIP J. WOLF, CPA, PRINCIPAL  
SUE A. BOWLBY, CPA, PRINCIPAL  
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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**INDEPENDENT AUDITOR'S REPORT**

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of and for the year ended December 31, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Helen Newberry Joy Hospital which represents 58% and 67%, respectively, of the assets and operating revenues of the Discretely Presented Component Units for the County of Luce, Michigan. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it related to the amounts recorded for the Helen Newberry Joy Hospital, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information, of the County of Luce, Michigan as of the year ended December 31, 2004, and respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Honorable Chairman and Members  
of the Board of Commissioners  
County of Luce, Michigan  
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The County of Luce, Michigan implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments as of January 1, 2004. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 21, 2005 on our consideration of the County of Luce's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management’s Discussion and Analysis and the budgetary comparisons as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Luce’s, basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The additional information regarding the Municipal Securities Disclosure Requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements of the County of Luce. The accompanying schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

  
**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 21, 2005

## **Management's Discussion and Analysis**

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**Using this Annual Report**

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County as a whole and present a longer-term view of the County's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

**The County as a Whole**

Luce County is the 14<sup>th</sup> largest county in Michigan in total acreage but 2<sup>nd</sup> to the last in taxable value due to the fact that well over 50% of the land is State owned, Commercial Forest property, or tax exempt. The County still has to provide law enforcement and rescue services to the entire county which presents quite a challenge to the Board of Commissioners.

The 2004 General Fund revenues decreased by about \$80,000 from 2003 mainly due to decreases in District Court Costs and Real Estate Transfer Tax.

Comparative Analysis to the previous year's financial results is not available due to this being the first fiscal year of implementation of GASB 34. It will be provided in future years when prior year information is available.

In a condensed format, the table below shows the net assets of Luce County.

	Governmental Activities 2004	Business-Type Activities 2004	Total 2004
Current Assets	\$ 3,681,446	\$ 520,854	\$ 4,202,300
Noncurrent Assets	<u>2,877,533</u>	<u>-</u>	<u>2,877,533</u>
Total Assets	<u>6,558,979</u>	<u>520,854</u>	<u>7,079,833</u>
Current Liabilities	1,922,524	160,070	2,082,594
Noncurrent Liabilities	<u>917,959</u>	<u>-</u>	<u>917,959</u>
Total Liabilities	<u>2,840,483</u>	<u>160,070</u>	<u>3,000,553</u>
Net Assets			
Invested in Capital Assets -			
Net of Debt	1,784,978	-	1,784,978
Reserved for Debt	463,600	-	463,600
Unrestricted	<u>1,469,918</u>	<u>360,784</u>	<u>1,830,702</u>
Total Net Assets	<u>\$ 3,718,496</u>	<u>\$ 360,784</u>	<u>\$ 4,079,280</u>

The current level of unrestricted net assets for our governmental activities stands at \$1,469,918, or about 49% of expenditures. This is within the targeted range set by the County Board of Commissioners during its last budget process.

Net Assets of the governmental activities increased approximately 28%. Net Assets of the business – type activities increased approximately 16%.

The following table shows the activities of the County.

	<u>Governmental Activities 2004</u>	<u>Business-Type Activities 2004</u>	<u>Total 2004</u>
Program Revenues			
Charges for Services	\$ 766,743	\$ 84,378	\$ 851,121
Operating Grants and Contributions	577,062	3,292	580,354
Capital Grants and Contributions	145,350	-	145,350
General Revenues			
Property Taxes	2,065,540	-	2,065,540
State-Shared Revenues	39,057	-	39,057
Unrestricted Investment Earnings	22,395	4,516	26,911
Transfers and Other Revenue	<u>118,153</u>	<u>62,282</u>	<u>180,435</u>
Total Revenues	<u>3,734,300</u>	<u>154,468</u>	<u>3,888,768</u>
Program Expenses			
Legislative	46,640	-	46,640
Judicial	491,171	-	491,171
General Government	738,941	-	738,941
Public Safety	564,817	-	564,817
Public Works	209,181	-	209,181
Health and Welfare	399,334	-	399,334
Recreation and Culture	153,511	-	153,511
Interest Expense – Unallocated	89,298	-	89,298
Other Expenses	264,961	-	264,961
Tax Collection	-	12,629	12,629
Other	<u>-</u>	<u>92,607</u>	<u>92,607</u>
Total Expenses	<u>2,957,854</u>	<u>105,236</u>	<u>3,063,090</u>
Change in Net Assets	<u>\$ 776,446</u>	<u>\$ 49,232</u>	<u>\$ 825,678</u>

### **Governmental Activities**

Revenue from property taxes increased 12.73% from the previous year gaining, \$91,972, which was a significant improvement from the trend. Average gain from property taxes over the previous five years was \$60,834 per year. State Revenue sharing decreased proportionally to the County for the year due to the executive order of the Governor.

### **Business-Type Activities**

The County business-type activities are multi-faceted. They range from Tax Collection, Building Department, Abstract, and Fair Board. The Tax Collection funds significantly support the General and Special Revenue Funds.

### **The County's Funds**

Our analysis of the County's major funds begins on page 9 following the entity wide financial statements. The individual fund financial statements provide detail information about the most significant funds, not the County as a whole. The County Board of Commissioners creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The County's major funds for 2004 include the General Fund, Ambulance, Hospital Bond Debt Service, and the Tax Revolving Reserve Fund.

The General Fund supports most of the County's governmental services. The costliest are the police, court, and law enforcement functions. The Tax Revolving Reserve Fund is supported by interest and fees from the collection of taxes.

### **General Fund Budgetary Highlights**

Prior to the beginning of any year, the Board of Commissioners budget is compiled based upon certain assumptions and facts available at that time. During the year, the Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, the Board reviews and authorizes large expenditures when requested throughout the year.

Major changes to the original budget were due to the change from State payment of revenue sharing to receiving the revenue from a revenue sharing reserve fund. Also a large budget adjustment was made for Child Care expenses, but the bills were never presented for payment in 2004, so the actual expense will be realized in 2005.

### **Other Funds**

New funds were created in 2004 for the ORV Enforcement Grant, Snowmobile Enforcement Grant, and Local Corrections Officers Training, which will take some of the law enforcement burden off the General Fund. Also a Revenue Sharing Reserve Fund was set up as directed by the State to offset the loss of State revenue sharing.

The EDC Millage Operation Fund, County Park Construction Fund, Ambulance Building Construction Fund, and Luce County Sewer Improvement Fund were deleted in 2004 due to these projects having been completed. The Crime Victim's Rights Fund was transferred to the General Fund.

### **Capital Asset and Debt Administration**

During the 2004 period, the County invested \$165,496 in capital assets that met the dollar threshold of the reporting requirement. These purchases included the County Park pavilion, Airport runway lighting, a digital copier, and a snowmobile (which was actually purchased in November 2004 but paid for in January 2005). The old copier (which had been valued at \$8,676) was disposed from fixed assets.

The County reduced its bond debt load by \$502,152 in principal payments in 2004 ending with a debt balance of \$1,258,651. \$246,254 was for payments on delinquent taxes with the balance being put toward bonds for the DPW Sewer, Parks and Recreation, General Obligation Bonds and Capital Development Bonds.

### **Economic Factors and Next Year's Budgets and Rates**

The County is in a budget battle from year to year. Normally, the cap on the growth rate under the Headlee Amendment, the voters reluctance to adjust or augment taxes for general operation, and the corresponding double digit growth rates in health and liability insurance have put significant limitations on budget flexibility. There are looming indications from the State that further cuts will occur in other State funded areas. This could put increased pressure on already tight budget projections. We are pleased to end the current year with healthy fund balances in all major funds, but are realistic in projecting revenue from fines and fees for current and future budgets in order that revenue expectations and corresponding expenses are not inflated.

The State Legislature is considering closing the Newberry Correctional Facility which employees 307 workers in Luce County. If this happens, it would have a tremendous negative impact on our local economy.

### **Contacting the County's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show the County's accountability for the money it receives. If you have any questions about this report or need additional information, please contact the Clerk's Office at (906) 293-5521.

## **Basic Financial Statements**

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# County of Luce, Michigan

## Statement of Net Assets December 31, 2004

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
<b>ASSETS:</b>				
Current Assets:				
Cash & Investments - Unrestricted	\$ 1,443,986	\$ 316,309	\$ 1,760,295	\$ 4,821,545
- Restricted	-	-	-	1,494,481
Receivables:				
Accounts	360,775	-	360,775	2,724,582
Taxes	1,783,848	179,436	1,963,284	-
Interest	-	25,109	25,109	-
Loans	-	-	-	1,589,247
Internal Loans	7,895	-	7,895	-
Due from Governmental Units	44,493	-	44,493	1,866,406
Inventories	14,056	-	14,056	792,040
Prepaid Expenses	26,393	-	26,393	223,366
Other Assets	-	-	-	141,512
Non-Current Assets:				
Capital Assets (Net of Accumulated Depreciation)	2,877,533	-	2,877,533	17,045,997
<b>TOTAL ASSETS</b>	<b>\$ 6,558,979</b>	<b>\$ 520,854</b>	<b>\$ 7,079,833</b>	<b>\$ 30,699,176</b>
<b>LIABILITIES:</b>				
Current Liabilities:				
Internal Loans	\$ -	\$ 2,751	\$ 2,751	\$ -
Accounts Payable	64,760	175	64,935	537,975
Accrued Liabilities	41,575	1,308	42,883	1,338,088
Advances	-	-	-	228,934
Accrued Interest Payable	22,246	-	22,246	-
Due to Governmental Units	-	-	-	3,244
Deferred Revenue	1,512,598	-	1,512,598	151,407
Other Liabilities	387	-	387	94,719
Notes Payable	13,932	155,836	169,768	97,065
Bonds Payable	259,000	-	259,000	409,705
Capital Leases Payable	8,026	-	8,026	7,153
Non-Current Liabilities:				
Notes Payable	46,883	-	46,883	1,131,134
Bonds Payable	783,000	-	783,000	5,603,530
Capital Leases Payable	6,351	-	6,351	5,041
Compensated Absences	81,725	-	81,725	453,555
<b>TOTAL LIABILITIES</b>	<b>2,840,483</b>	<b>160,070</b>	<b>3,000,553</b>	<b>10,061,550</b>
<b>NET ASSETS:</b>				
Invested in Capital Assets (net of related debt)	1,784,978	-	1,784,978	9,990,369
Restricted for County Road	-	-	-	976,145
Restricted for Capital Projects	463,600	-	463,600	-
Restricted by Donors	-	-	-	106,613
Unrestricted	1,469,918	360,784	1,830,702	9,564,499
<b>TOTAL NET ASSETS</b>	<b>\$ 3,718,496</b>	<b>\$ 360,784</b>	<b>\$ 4,079,280</b>	<b>\$ 20,637,626</b>

See accompanying notes to financial statements.

# County of Luce, Michigan

## Statement of Activities For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
<b>Governmental Activities:</b>								
Legislative	\$ 46,640	\$ -	\$ -	\$ -	\$ (46,640)	\$ -	\$ (46,640)	\$ -
Judicial	491,171	137,567	206,983	-	(146,621)	-	(146,621)	-
General Government	738,941	98,728	43,698	-	(596,515)	-	(596,515)	-
Public Safety	564,817	107,628	186,700	145,350	(125,139)	-	(125,139)	-
Public Works	209,181	26,852	69,301	-	(113,028)	-	(113,028)	-
Health & Welfare	399,334	359,870	57,061	-	17,597	-	17,597	-
Recreation and Culture	153,511	36,098	13,319	-	(104,094)	-	(104,094)	-
Interest expense - Unallocated	89,298	-	-	-	(89,298)	-	(89,298)	-
Other	264,961	-	-	-	(264,961)	-	(264,961)	-
Total Governmental Activities	2,957,854	766,743	577,062	145,350	(1,468,699)	-	(1,468,699)	-
<b>Business-type activities:</b>								
Tax Collection	12,629	23,880	-	-	-	11,251	11,251	-
Other	92,607	60,498	3,292	-	-	(28,817)	(28,817)	-
Total Business-type Activities	105,236	84,378	3,292	-	-	(17,566)	(17,566)	-
Total Primary Government	\$ 3,063,090	\$ 851,121	\$ 580,354	\$ 145,350	(1,468,699)	(17,566)	(1,486,265)	-
<b>Component Units:</b>								
Road Commission	\$ 2,910,060	\$ 689,565	\$ 2,220,894	\$ -				399
LMAS District Health Department	5,799,902	4,272,504	1,759,301	-				231,903
Economic Development	821,170	203,166	136,000	-				(482,004)
Housing Commission	611,609	117,956	475,754	-				(17,899)
Helen Newberry Joy Hospital	20,850,689	20,818,461	-	307,363				275,135
Total Component Units	30,993,430	26,101,652	4,591,949	307,363				7,534
Total	\$ 34,056,520	\$ 26,952,773	\$ 5,172,303	\$ 452,713				
<b>General Revenues:</b>								
Taxes					2,065,540	-	2,065,540	-
State Revenue Sharing					39,057	-	39,057	-
Local Sources and Other					117,190	63,245	180,435	385,890
Investment Earnings (Loss)					22,395	4,516	26,911	84,707
Transfers					963	(963)	-	-
<b>Total General Revenues and Transfers</b>					2,245,145	66,798	2,311,943	470,597
Change in Net Assets					776,446	49,232	825,678	478,131
Net Assets - Beginning					2,805,353	311,552	3,116,905	20,159,495
Prior period adjustment					136,697	-	136,697	-
<b>Net Assets - Ending</b>					\$ 3,718,496	\$ 360,784	\$ 4,079,280	\$ 20,637,626

See accompanying notes to financial statements.

# County of Luce, Michigan

## Balance Sheet Governmental Funds December 31, 2004

	General	Ambulance	Hospital Bond Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Cash & Investments - Unrestricted	\$ 280,977	\$ 386,324	\$ 463,600	\$ 313,085	\$ 1,443,986
Receivables:					
Accounts	62,006	258,069	-	40,700	360,775
Taxes	813,749	137,900	290,806	541,393	1,783,848
Due from Other Funds	120,877	-	-	12,182	133,059
Due from Governmental Units	-	-	-	44,493	44,493
Inventories	-	-	-	14,056	14,056
Prepaid Expenses	26,393	-	-	-	26,393
<b>TOTAL ASSETS</b>	<b>\$ 1,304,002</b>	<b>\$ 782,293</b>	<b>\$ 754,406</b>	<b>\$ 965,909</b>	<b>\$ 3,806,610</b>
<b>LIABILITIES:</b>					
Due to Other Funds	\$ -	\$ -	\$ -	\$ 125,164	\$ 125,164
Accounts Payable	28,534	374	-	35,852	64,760
Accrued Liabilities	28,233	6,458	-	6,884	41,575
Other Liabilities	-	-	-	387	387
Deferred Revenue	813,749	137,900	290,806	270,143	1,512,598
<b>TOTAL LIABILITIES</b>	<b>870,516</b>	<b>144,732</b>	<b>290,806</b>	<b>438,430</b>	<b>1,744,484</b>
<b>FUND BALANCES:</b>					
Reserved	-	-	463,600	-	463,600
Unreserved	433,486	637,561	-	527,479	1,598,526
<b>TOTAL FUND BALANCES</b>	<b>433,486</b>	<b>637,561</b>	<b>463,600</b>	<b>527,479</b>	<b>2,062,126</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,304,002</b>	<b>\$ 782,293</b>	<b>\$ 754,406</b>	<b>\$ 965,909</b>	
<b>Reconciliation to amounts reported for governmental activities in the statement of net assets:</b>					
Capital assets used by governmental activities					2,877,533
Long-term notes & leases payable for governmental activities					(1,117,192)
Compensated absences liability					(81,725)
Accrued interest payable					(22,246)
<b>Net assets of governmental activities</b>					<b>\$ 3,718,496</b>



# County of Luce, Michigan

## Statement of Changes in Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds For the Year Ended December 31, 2004

	General	Ambulance	Hospital Bond Debt Service	Nonmajor Governmental Funds	Totals Governmental Funds
<b>REVENUES:</b>					
Taxes	\$ 1,104,978	\$ 136,911	\$ 284,245	\$ 539,406	\$ 2,065,540
Licenses & Permits	17,397	-	-	1,573	18,970
Federal Sources	128,156	-	-	226,530	354,686
State Sources	145,679	-	-	246,216	391,895
Local Sources	20,571	93	194	62,085	82,943
Charges for Services	218,964	343,053	-	177,667	739,684
Interest & Rentals	14,718	5,334	5,074	5,194	30,320
Fines and Forfeitures	6,089	-	-	2,000	8,089
Other Revenue	4,799	523	-	35,888	41,210
<b>TOTAL REVENUES</b>	<b>1,661,351</b>	<b>485,914</b>	<b>289,513</b>	<b>1,296,559</b>	<b>3,733,337</b>
<b>EXPENDITURES:</b>					
Legislative	46,640	-	-	-	46,640
Judicial	463,790	-	-	27,381	491,171
General Government	598,878	-	-	67,467	666,345
Public Safety	361,253	-	-	199,010	560,263
Public Works	-	-	-	161,311	161,311
Health & Welfare	5,345	220,188	-	127,543	353,076
Recreation & Cultural	-	-	-	125,853	125,853
Capital Outlay	-	14,462	-	256,294	270,756
Debt Service	-	-	192,035	121,568	313,603
Other Expenditures	172,723	-	-	-	172,723
<b>TOTAL EXPENDITURES</b>	<b>1,648,629</b>	<b>234,650</b>	<b>192,035</b>	<b>1,086,427</b>	<b>3,161,741</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>12,722</b>	<b>251,264</b>	<b>97,478</b>	<b>210,132</b>	<b>571,596</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	96,485	-	-	125,879	222,364
Operating Transfers Out	(50,648)	(64,685)	-	(106,068)	(221,401)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>58,559</b>	<b>186,579</b>	<b>97,478</b>	<b>229,943</b>	<b>572,559</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>374,927</b>	<b>314,285</b>	<b>366,122</b>	<b>297,536</b>	<b>1,352,870</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>136,697</b>	<b>-</b>	<b>-</b>	<b>136,697</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 433,486</b>	<b>\$ 637,561</b>	<b>\$ 463,600</b>	<b>\$ 527,479</b>	<b>\$ 2,062,126</b>

# County of Luce, Michigan

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended December 31, 2004

Net Changes in fund balances - total governmental funds \$ 572,559

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay \$165,496 did not exceed depreciation (\$211,983) in the current period and book value.

(46,487)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Principal repayments:

Bonds & Notes Payable

255,896

Capital Leases

17,674

Under the modified accrual basis of accounting used in governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the following net changes:

Compensated Absences

(950)

Accrued Interest Expense

(22,246)

Changes in net assets of governmental activities

\$ 776,446

# County of Luce, Michigan

## Statement of Net Assets Proprietary Funds December 31, 2004

	Enterprise Funds		
	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>ASSETS:</b>			
Cash & Investments	\$ 189,070	\$ 127,239	\$316,309
Taxes	6,456	172,980	179,436
Accrued Interest Receivable	3,660	21,449	25,109
TOTAL ASSETS	<u>\$ 199,186</u>	<u>\$ 321,668</u>	<u>\$520,854</u>
<b>LIABILITIES:</b>			
Due to Other Funds	\$ -	\$ 2,751	\$ 2,751
Accounts Payable	-	175	175
Accrued Liabilities	150	1,158	1,308
Notes Payable	-	155,836	155,836
TOTAL LIABILITIES	<u>150</u>	<u>159,920</u>	<u>160,070</u>
<b>NET ASSETS:</b>			
Unrestricted	<u>199,036</u>	<u>161,748</u>	<u>360,784</u>
TOTAL NET ASSETS	<u>\$ 199,036</u>	<u>\$ 161,748</u>	<u>\$360,784</u>

# County of Luce, Michigan

## Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds For the Year Ended December 31, 2004

	Enterprise Funds		
	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 38	\$ 84,340	\$ 84,378
State Sources	-	3,292	3,292
Other Revenue	-	63,245	63,245
Total Operating Revenues	38	150,877	150,915
<b>OPERATING EXPENSES:</b>			
General and Administrative	1,283	100,409	101,692
Total Operating Expenses	1,283	100,409	101,692
<b>OPERATING INCOME (LOSS)</b>	(1,245)	50,468	49,223
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest on Deposits	2,180	2,336	4,516
Interest Expense	-	(3,544)	(3,544)
Total Non-operating Revenues (Expenses)	2,180	(1,208)	972
Income (Loss) before Transfers	935	49,260	50,195
Operating Transfers In	52,739	662	53,401
Operating Transfers Out	(1,625)	(52,739)	(54,364)
<b>CHANGE IN NET ASSETS</b>	52,049	(2,817)	49,232
NET ASSETS, JANUARY 1	146,987	164,565	311,552
<b>NET ASSETS, DECEMBER 31</b>	\$ 199,036	\$ 161,748	\$ 360,784

# County of Luce, Michigan

## Statement of Cash Flows Proprietary Fund Types For the Year Ended December 31, 2004

	Enterprise Funds		
	Tax Revolving Reserve	Nonmajor Enterprise Funds	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from Customers	\$ 38	\$ 265,763	\$ 265,801
Payments to Suppliers	(3,616)	(275,204)	(278,820)
Internal Activity - Payments to Other Funds	-	(157)	(157)
Net Cash Provided (Used) by Operating Activities	(3,578)	(9,598)	(13,176)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from Notes	-	315,000	315,000
Principal Payments	-	(246,254)	(246,254)
Interest Expense	-	(3,544)	(3,544)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	65,202	65,202
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Operating Transfers In	52,739	662	53,401
Operating Transfers Out	(1,625)	(52,739)	(54,364)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	51,114	(52,077)	(963)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest Income	2,180	2,336	4,516
Net Cash Provided (Used) by Investing Activities	2,180	2,336	4,516
Net Increase (Decrease) in Cash and Cash Equivalents	49,716	5,863	55,579
Balances - Beginning of the Year	139,354	121,376	260,730
Balances - End of the Year	\$ 189,070	\$ 127,239	\$ 316,309
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	\$ (1,245)	\$ 50,468	\$ 49,223
Adjustments to Reconcile Operating Income (Loss) to Net cash Provided (Used) by Operating Activities.			
Change in Assets and Liabilities:			
Taxes Receivable	(1,565)	(56,298)	(57,863)
Accrued Interest Receivable	(742)	(3,968)	(4,710)
Due from Other Funds	-	863	863
Accounts Payable	-	13	13
Accrued Liabilities	(26)	-	(26)
Due to Other Governmental Units	-	(676)	(676)
Net Cash Provided (Used) by Operating Activities	\$ (3,578)	\$ (9,598)	\$ (13,176)

**Statement of Fiduciary Net Assets  
Fiduciary Funds  
December 31, 2004**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash & Investments - Unrestricted	\$ 518,685
Receivables:	
Accounts	18,299
Due to Other Governmental Units	<u>7,225</u>
 TOTAL ASSETS	 \$ 544,209
<b>LIABILITIES:</b>	
Due to Other Funds	\$ 5,144
Accounts Payable	212
Due to Other Governmental Units	37,441
Accrued Liabilities	1,898
Undistributed Tax Collections	462,370
Undistributed Receipts	<u>37,144</u>
 TOTAL LIABILITIES	 \$ 544,209

## **Component Unit Financial Statements**

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# County of Luce, Michigan

## Statement of Net Assets Component Units December 31, 2004

	Road Commission	LMAS Dist. Health Dept.	Economic Development Corporation	Housing Commission	Helen Newberry Joy Hospital	Totals
<b>ASSETS:</b>						
Current Assets:						
Cash & Investments - Unrestricted	\$ 955,350	\$ 933,215	\$ 652,274	\$ 188,084	\$ 2,092,622	\$ 4,821,545
- Restricted	-	-	30,000	-	1,464,481	1,494,481
Receivables:						
Accounts	357,562	732,680	15,526	4,193	1,614,621	2,724,582
Loans	-	-	1,589,247	-	-	1,589,247
Due from Other Governmental Units	-	528,253	-	-	1,338,153	1,866,406
Inventory	290,604	-	-	1,470	499,966	792,040
Prepaid Expense	51,910	51,442	-	4,716	115,298	223,366
Other Assets	-	-	15	-	141,497	141,512
Non-Current Assets:						
Capital Assets (net)	5,032,871	138,028	643,112	655,411	10,576,575	17,045,997
<b>TOTAL ASSETS</b>	<b>\$ 6,688,297</b>	<b>\$ 2,383,618</b>	<b>\$ 2,930,174</b>	<b>\$ 853,874</b>	<b>\$ 17,843,213</b>	<b>\$ 30,699,176</b>
<b>LIABILITIES:</b>						
Current Liabilities:						
Accounts Payable	\$ 19,309	\$ 192,505	\$ 17,998	\$ 10,855	\$ 297,308	\$ 537,975
Due to Governmental Units	3,244	-	-	-	-	3,244
Accrued Liabilities	57,628	208,728	-	24,672	1,047,060	1,338,088
Deferred Revenue	145,062	6,345	-	-	-	151,407
Advances	228,934	-	-	-	-	228,934
ACH Payables	-	62,822	-	-	-	62,822
Other Liabilities	-	31,897	-	-	-	31,897
Notes Payable - Current	-	-	19,800	-	77,265	97,065
Leases Payable - Current	-	7,153	-	-	-	7,153
Bonds Payable - Current	-	-	-	110,000	299,705	409,705
Non-Current Liabilities:						
Notes Payable	-	-	178,200	-	952,934	1,131,134
Leases Payable	-	5,041	-	-	-	5,041
Bonds Payable	-	-	-	360,000	5,243,530	5,603,530
Compensated Absences	225,104	222,596	-	5,855	-	453,555
<b>TOTAL LIABILITIES</b>	<b>679,281</b>	<b>737,087</b>	<b>215,998</b>	<b>511,382</b>	<b>7,917,802</b>	<b>10,061,550</b>
<b>NET ASSETS:</b>						
Invested in Capital Assets, net of related debt	5,032,871	125,834	643,112	185,411	4,003,141	9,990,369
Restricted for County Road	976,145	-	-	-	-	976,145
Restricted by Donors	-	-	-	-	106,613	106,613
Unrestricted	-	1,520,697	2,071,064	157,081	5,815,657	9,564,499
<b>TOTAL NET ASSETS</b>	<b>6,009,016</b>	<b>1,646,531</b>	<b>2,714,176</b>	<b>342,492</b>	<b>9,925,411</b>	<b>20,637,626</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 6,688,297</b>	<b>\$ 2,383,618</b>	<b>\$ 2,930,174</b>	<b>\$ 853,874</b>	<b>\$ 17,843,213</b>	<b>\$ 30,699,176</b>



# County of Luce, Michigan

## Statement of Activities Component Units For the Year Ended December 31, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets					Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	LMAS District Health Department	Economic Development Corporation	Housing Commission	Helen Newberry Joy Hospital	
<b>Road Commission:</b>										
Public Works	\$ 2,910,060	\$ 689,565	\$ 2,220,894	\$ -	\$ 399	\$ -	\$ -	\$ -	\$ -	\$ 399
<b>LMAS District Health Dept.:</b>										
Health & Welfare	5,799,902	4,272,504	1,759,301	-	-	231,903	-	-	-	231,903
<b>Economic Development Corporation:</b>										
Economic Development	821,170	203,166	136,000	-	-	-	(482,004)	-	-	(482,004)
<b>Housing Commission:</b>										
Public Housing	611,609	117,956	475,754	-	-	-	-	(17,899)	-	(17,899)
<b>Helen Newberry Joy Hospital:</b>										
Health & Welfare	20,850,689	20,818,461	-	307,363	-	-	-	-	275,135	275,135
Total Component Units	<u>\$ 30,993,430</u>	<u>\$ 26,101,652</u>	<u>\$ 4,591,949</u>	<u>\$ 307,363</u>	<u>399</u>	<u>231,903</u>	<u>(482,004)</u>	<u>(17,899)</u>	<u>275,135</u>	<u>7,534</u>
<b>General Revenues:</b>										
Investment Earnings					14,699	7,010	12,808	3,600	46,590	84,707
Other					31,510	303,538	46,998	3,844	-	385,890
<b>Total General Revenues</b>					<u>46,209</u>	<u>310,548</u>	<u>59,806</u>	<u>7,444</u>	<u>46,590</u>	<u>470,597</u>
Change in Net Assets					46,608	542,451	(422,198)	(10,455)	321,725	478,131
Net Assets - Beginning					5,962,408	1,104,080	3,136,374	352,947	9,603,686	20,159,495
<b>Net Assets - Ending</b>					<u>\$ 6,009,016</u>	<u>\$ 1,646,531</u>	<u>\$ 2,714,176</u>	<u>\$ 342,492</u>	<u>\$ 9,925,411</u>	<u>\$ 20,637,626</u>

See accompanying notes to financial statements.

## **Notes to Financial Statements**

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## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of Luce, Michigan, conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The following is a summary of the significant accounting policies used by the County:

### A – Reporting Entity:

#### Financial Reporting Entity

The County of Luce was incorporated under the laws of the State of Michigan in 1887 and operates under an elected Commission form of government and provides services to its more than 7,024 residents in many areas including law enforcement, administration of justice, community enrichment and development, public works, health and welfare, and recreation and culture. As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include those of the County of Luce (primary government) and its component units. The component units discussed below are included in the County's reporting entity because of the significance of their operational or financial relationships with the County.

#### Component Units:

The County of Luce has considered all potential units in evaluating how to define the County for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Government Accounting Standards Board (GASB), The Financial Reporting Entity. The basic criteria include the appointment of a voting majority of the governing board of the unit; legal separation of the County and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the County's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the County.

In conformity with U.S. generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units.

#### Blended Component Units

These funds are included in the Primary Government financial statements. The County of Luce reports no funds that qualify as blended component units.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Discretely Presented Component Units**

The component units column in the government-wide financial statements include the financial data of the other component units of the County. The following is a summary of the component units:

Luce County Road Commission - The members of the governing board of the Road Commission are appointed by the County Commission. Although the County does not have the authority to approve or modify the Road Commission's operational and capital budgets, bonded debt must be approved by the County Commission.

Luce County Road Commission  
P.O. Box 401  
Newberry, MI 49868

Luce-Mackinac-Alger-Schoolcraft (LMAS) District Health Department - The members of the governing body of the LMAS District Health Department are jointly appointed by the Luce, Mackinac, Alger, and Schoolcraft Counties' Commissions. The Health Department's operational and capital budgets are not subject to approval or modification by any governmental entity, and it establishes fees for various services and other activities. The Health Department financial statement disclosures contained herein are presented as of and for the year ended September 30, 2004.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

LMAS District Health Department  
P.O. Box 398  
Newberry, MI 49868

Luce County Housing Commission - The Commission is a legally separate entity whose five-member board is appointed by the County of Luce Commission. The Housing Commission provides subsidized housing financial assistance to lower income families.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Luce County Housing Commission  
550 W. Victory  
Newberry, MI 49868

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Luce County Economic Development Corporation - The Corporation is a legally separate non-profit corporation whose primary purpose is to promote economic development in the County of Luce. The nine-member board of the County of Luce Economic Development Corporation is appointed by the County of Luce Board of Commissioners.

Helen Newberry Joy Hospital - The Hospital was organized under Public Act 230 of the Public Acts of 1987 and is a county hospital corporation. The Hospital provides inpatient, outpatient, and long-term care services primarily to the citizens of the County of Luce.

Separate audited financial statements with disclosures may be obtained from the administrative office at the following address:

Helen Newberry Joy Hospital  
502 W. Harrie Street  
Newberry, MI 49868

**Condensed Financial Statements**

The financial statements present condensed financial statements of each of the five discretely presented component units.

**Jointly Governed Organization**

Joint Venture Community Health Services - Pursuant to an amendment to the Mental Health Code, Public Act 290 of 1995 the Counties of Alger, Chippewa, Marquette, Delta and Luce created a Community Mental Health Authority with powers and duties as defined in Section 205, MCL 330.1205, known as Pathways to Healthy Living. Under such provisions, Pathways to Healthy Living became a separate legal entity from the counties and has its own reporting unit. The Board consists of members of the participating counties as appointed by the respective counties. The Board has full power to comply and carry out the financial and clinical provisions of the Mental Health Code. The County appropriated \$25,000 for the Authority in 2004.

The separately issued financial statements can be obtained from the administrative office of the Board at:

Pathways to Healthy Living  
200 West Spring Street  
Marquette, MI 49855

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Multi-County Agency**

The County participates jointly in the operation of the Luce-Chippewa County Department of Human Services Agency (a special revenue fund of Chippewa County). All financial operations of the Agency are recorded at the Chippewa County location. The County appropriated \$6,000 for the Agency in 2004.

**B – Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C – Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

### Taxes Receivable – Current or Property Taxes

The County of Luce property tax is levied on each December 1<sup>st</sup> on the taxable valuation of property (as defined by State statutes) located in the County of Luce as of the preceding December 31<sup>st</sup>.

Although the County of Luce 2004 ad valorem tax is levied and collectible on December 1, 2004, it is the County of Luce's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2003 taxable valuation of the County of Luce totaled \$135,830,650, on which ad valorem taxes levied consisted of 5.6859 mills for the County operating, .9636 mills for Ambulance, .4926 mills for Parks and Recreation, .4926 mills for Extension, .4010 mills for Animal Control, 2.000 mills for Hospital Bonds and .5 mills for Airport, raising \$772,319 for operating, \$130,886 for Ambulance, \$66,910 for Parks and Recreation, \$66,910 for Extension, \$54,468 for Animal Control, \$271,661 for Hospital Bonds, and \$67,915 for Airport. These amounts are recognized in the respective General, Special Revenue and Debt Service Fund financial statements as taxes receivable – current or as tax revenue.

The County reports the following major governmental funds:

### **General Fund**

This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

### **Ambulance Fund**

This fund accounts for the operation of the Luce County Ambulance.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Hospital Bond – Debt Service Fund**

This fund accounts for the repayments of principal and interest on Hospital Bonds.

**Tax Revolving Reserve**

This fund accounts for the collection of delinquent taxes.

Additionally, the County reports the following fund types:

**Agency Funds**

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

All other revenue items are considered to be available only when cash is received by the government.

Private-sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's tax collection function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.



**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for tax collections. Operating expenses for proprietary funds include the cost of sales and services, and administrative expenses. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

**D - Assets, Liabilities, and Net Assets or Equity**

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from all funds and is allocated to each fund based on average cash balance. Deposits are recorded at cost.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property as of the preceding December 31<sup>st</sup>. Taxes are considered delinquent on March 1<sup>st</sup> of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items – Inventories are valued at cost using the first in/first out (FIFO) method. The Airport fund maintains an inventory balance for fuel. The costs of all other governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Roads	10 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
Computer Equipment	3 to 7 years

Vested Benefits Payable – County General Employees - The County's employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service.

The annual vacation benefits earned by each employee during the current year are credited to the employee at year end. Employees are required to use their vacation benefits within one year, except under special circumstances where, with the approval of the department head, some carry-over may be authorized.

The County's employment policies provide for sick leave benefits to be earned at the rate of one day per month. When employees separate from employment with the County, sheriff department employees are entitled to half of their accumulated sick time and government center employees are entitled to a maximum of 15 days.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deferred Revenues – Deferred revenues are those where asset recognition criteria have been met, but for which revenue recognition criteria have not.

Grants and Other Intergovernmental Revenues – Federal grants and assistance awards for all governmental type funds are recorded as intergovernmental revenue in accordance with the terms of the representative grants.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Interfund Transfers – During the course of normal operations, the County has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. The classification of amounts recorded as subsidies, advances, or equity contributions is determined by County management.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the reporting period. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information – Annual budgets are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgets and Budgetary Control – The County follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Each September, after receiving input from the individual departments, the Board of Commissioners prepares a proposed operating budget for the fiscal period commencing January 1st and lapses on December 31st. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to January 1, the budget is legally enacted through a resolution passed by the Board of Commissioners.
- d. Budgetary control is exercised at the departmental level of the General Fund. Any revisions that alter the total expenditures of any department or fund (i.e., budget amendments) require approval by the Board of Commissioners. Such amendments are made in accordance with the procedures prescribed under Public Act 621 of 1978.
- e. The budget and approved appropriations lapse at the end of the fiscal year.
- f. The County does not record encumbrances in the accounting records during the year as normal practice and, therefore, no outstanding encumbrances exist at year end.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continue)**

Budgeted amounts are as originally adopted or amended by the Board of Commissioners during the year. Individual amendments were not material in relation to the original appropriations which were amended. The modified accrual basis of accounting is used for budgetary purposes.

The General Fund revenue budget was adopted on the basis of activities or programs financed by the General Fund.

Michigan Public Act 621 of 1978 (the Budgeting Act) requires that budgets be adopted for Governmental Funds. U.S. generally accepted accounting principles require that the financial statements present budgetary comparisons for the Governmental Fund Types for which budgets were legally adopted. The original budget adopted for the General fund was modified throughout the year through various budget amendments.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

At year-end, the County's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Cash and Cash Equivalents - Unrestricted	\$ 1,443,986	\$ 316,309	\$ 1,760,295	\$ 518,685	\$ 4,821,545
Cash and Cash Equivalents - Restricted	-	-	-	-	1,494,481
Total	<u>\$ 1,443,986</u>	<u>\$ 316,309</u>	<u>\$ 1,760,295</u>	<u>\$ 518,685</u>	<u>\$ 6,316,026</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Units</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 1,295,525	\$ 518,685	\$ 5,563,886
Petty Cash and Cash on Hand	1,170	-	1,890
Investments	<u>463,600</u>	<u>-</u>	<u>750,250</u>
Total	<u>\$ 1,760,295</u>	<u>\$ 518,685</u>	<u>\$ 6,316,026</u>

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**Statutory Authority:

Michigan Law (Public Act 20 of 1943 as amended) authorizes the County to deposit and invest in one or more of the following:

- a. Bond, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that is eligible to be a depository of funds belonging to the State under a law or rule of this State or the United States.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures not more than 270 days after the date of purchase.
- d. Repurchase agreements consisting of instruments listed in a.
- e. Banker's acceptance of United States banks.
- f. Obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- g. Mutual funds registered under the investment company act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- h. Obligation described in a. through g. if purchased through an interlocal agreement under the urban cooperations act of 1967, 1967 (Ex Sess) PA 7, MCL 124.501 to 124.512.
- i. Investment pools organized under the surplus funds investment pool act, 1982 PA 367, 129.111 to 129.118.
- j. The investment pools organized under the local government investment pool act, 1985 PA 121, MCL 129.141 to 129.150.

**NOTE 3 - DEPOSITS AND INVESTMENTS (Continued)**

At year-end, the carrying amount of the County's primary and fiduciary deposits was \$1,814,210 and the bank balance was \$2,340,368. Of the bank balance, \$285,580, approximately 12%, was covered by federal depository insurance according to FDIC regulations.

These deposits are in various financial institutions in varying amounts. All accounts are in the name of the County and specific funds. They are recorded in County records at cost. Interest is recorded when the deposits mature or is credited to the applicable account.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the County or its agent in the government's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the County's name.

At year-end, the government's investment balances were categorized as follow:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary Government:				
Money Markets	\$ -	\$ 463,600	\$ -	\$ 463,600

The County's deposits and investment policy are in accordance with statutory authority.

**NOTE 4 - RECEIVABLES**

Receivables as of year-end for the government's individual major and nonmajor funds, are as follows:

	General Fund	Ambulance	Hospital Bond Debt Service	Tax Revolving Reserve	Nonmajor and Other Funds	Total
Receivables:						
Accounts	\$ 62,006	\$ 258,069	\$ -	\$ -	\$ 40,700	\$ 360,775
Taxes	813,749	137,900	290,806	6,456	714,373	1,963,284
Interest	-	-	-	3,660	21,449	25,109
Due From Others	-	-	-	-	44,493	44,493
Net Receivables	\$ 875,755	\$ 395,969	\$ 290,806	\$ 10,116	\$ 821,015	\$ 2,393,661

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity for the primary government for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,595,595	\$ -	\$ -	\$ 1,595,595
<i>Capital assets being depreciated:</i>				
Buildings	3,259,662	6,338	-	3,266,000
Building improvements	16,850	-	-	16,850
Equipment	604,086	159,158	8,676	754,568
Furniture and fixtures	29,934	-	-	29,934
Vehicles	649,668	-	-	649,668
Land improvements	<u>51,000</u>	<u>-</u>	<u>-</u>	<u>51,000</u>
Subtotal	<u>4,611,200</u>	<u>165,496</u>	<u>8,676</u>	<u>4,768,020</u>
<i>Less accumulated depreciation for:</i>				
Buildings	2,388,532	108,048	-	2,496,580
Building improvements	187	562	-	749
Equipment	371,363	58,020	8,676	420,707
Furniture and fixtures	29,934	-	-	29,934
Vehicles	483,841	41,954	-	525,795
Land improvements	<u>8,918</u>	<u>3,399</u>	<u>-</u>	<u>12,317</u>
Subtotal	<u>3,282,775</u>	<u>211,983</u>	<u>8,676</u>	<u>3,486,082</u>
Net Capital Assets Being Depreciated	<u>1,328,425</u>	<u>(46,487)</u>	<u>-</u>	<u>1,281,938</u>
Governmental Activity Capital Assets - Net of Depreciation	<u>\$ 2,924,020</u>	<u>\$ (46,487)</u>	<u>\$ -</u>	<u>\$ 2,877,533</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 71,646
Public Safety	18,551
Public Works	47,870
Health and Welfare	46,258
Recreation and Culture	<u>27,658</u>
Total Governmental Activities	<u>\$ 211,983</u>

### NOTE 5 - CAPITAL ASSETS (Continued)

Capital asset activity of the Luce County Road Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Adjustments/ Deductions</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 39,182	\$ -	\$ -	\$ 39,182
Land Improvements	<u>117,709</u>	<u>-</u>	<u>-</u>	<u>117,709</u>
Subtotal	<u>156,891</u>	<u>-</u>	<u>-</u>	<u>156,891</u>
<i>Capital Assets Being Depreciated</i>				
Land Improvements	38,460	-	-	38,460
Buildings	940,344	-	-	940,344
Road Equipment	4,232,690	139,444	96,063	4,276,071
Shop Equipment	233,282	1,049	6,385	227,946
Office Equipment	44,197	-	-	44,197
Engineers' Equipment	19,390	-	-	19,390
Infrastructure - Bridge	756,552	-	-	756,552
Infrastructure - Roads	<u>3,076,517</u>	<u>350,803</u>	<u>-</u>	<u>3,427,320</u>
Subtotal	<u>9,341,432</u>	<u>491,296</u>	<u>102,448</u>	<u>9,730,280</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	12,015	1,282	-	13,297
Buildings	313,615	30,181	-	343,796
Road Equipment	3,581,722	289,046	96,063	3,774,705
Shop Equipment	160,850	13,416	6,385	167,881
Office Equipment	33,882	3,709	-	37,591
Engineers' Equipment	18,998	230	-	19,228
Infrastructure - Bridges	20,920	15,514	-	36,434
Infrastructure - Roads	<u>285,380</u>	<u>175,988</u>	<u>-</u>	<u>461,368</u>
Subtotal	<u>4,427,382</u>	<u>529,366</u>	<u>102,448</u>	<u>4,854,300</u>
Net Capital Assets Being Depreciated	<u>4,914,050</u>	<u>(38,070)</u>	<u>-</u>	<u>4,875,980</u>
Total Net Capital Assets	<u>\$ 5,070,941</u>	<u>\$ (38,070)</u>	<u>\$ -</u>	<u>\$ 5,032,871</u>

Depreciation expense was charged to the following programs:

Primary Road	\$ 128,798
Local Road	62,704
Equipment	289,046
Administrative	45,556
Other	<u>3,262</u>
Total Depreciation Expense	<u>\$ 529,366</u>



**NOTE 5 - CAPITAL ASSETS (Continued)**

Capital asset activity of the Luce-Mackinac-Alger-Schoolcraft District Health Department for the current year was as follows

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Furniture and equipment	\$ 964,496	\$ 14,138	\$ (711,869)	\$ 266,765
Building improvements	<u>113,600</u>	<u>25,208</u>	<u>-</u>	<u>138,808</u>
Subtotal	<u>1,078,096</u>	<u>39,346</u>	<u>(711,869)</u>	<u>405,573</u>
<i>Less accumulated depreciation for:</i>				
Furniture and equipment	183,642	39,277	-	222,919
Building improvements	<u>36,032</u>	<u>8,594</u>	<u>-</u>	<u>44,626</u>
Subtotal	<u>219,674</u>	<u>47,871</u>	<u>-</u>	<u>267,545</u>
Net Capital Assets Being Depreciated	<u>\$ 858,422</u>	<u>\$ (8,525)</u>	<u>\$ (711,869)</u>	<u>\$ 138,028</u>
Depreciation Expense:				
Health and Welfare			<u>\$ 47,871</u>	

Capital asset activity of the Economic Development Corporation for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital assets being depreciated:</i>				
Buildings	\$ 635,082	\$ -	\$ -	\$ 635,082
Equipment	6,600	-	-	6,600
Land improvements	<u>96,500</u>	<u>-</u>	<u>-</u>	<u>96,500</u>
Subtotal	<u>738,182</u>	<u>-</u>	<u>-</u>	<u>738,182</u>
<i>Less accumulated depreciation for:</i>				
Buildings	44,103	21,169	-	65,272
Equipment	6,600	-	-	6,600
Land improvements	<u>16,764</u>	<u>6,434</u>	<u>-</u>	<u>23,198</u>
Subtotal	<u>67,467</u>	<u>27,603</u>	<u>-</u>	<u>95,070</u>
Net Capital Assets Being Depreciated	<u>\$ 670,715</u>	<u>\$ (27,603)</u>	<u>\$ -</u>	<u>\$ 643,112</u>
Depreciation Expense:				
EDC			<u>\$ 27,603</u>	

**NOTE 5 - CAPITAL ASSETS (Continued)**

Capital assets activity of the Luce County Housing Commission for the current year was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities:</b>				
<i>Capital assets being depreciated:</i>				
Land and improvements	\$ 42,965	\$ -	\$ -	\$ 42,965
Building improvements	1,731,540	32,034	-	1,763,574
Equipment	<u>73,361</u>	<u>300</u>	<u>(229)</u>	<u>73,432</u>
	1,847,866	32,334	(229)	1,879,971
Accumulated depreciation	<u>(1,164,086)</u>	<u>(60,703)</u>	<u>229</u>	<u>(1,224,560)</u>
Net capital assets being depreciated	<u>\$ 683,780</u>	<u>\$ (28,369)</u>	<u>\$ -</u>	<u>\$ 655,411</u>

Capital assets activity of the Helen Newberry Joy Hospital for the current year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Business-type Activities:</b>					
<i>Capital assets being depreciated:</i>					
Land and land improvements	\$ 453,101	\$ -	\$ 14,635	\$ -	\$ 467,736
Building	10,674,650	438,000	-	-	11,112,650
Equipment	7,911,817	411,967	114,389	-	8,438,173
Construction in Progress	<u>1,325</u>	<u>337,071</u>	<u>(129,024)</u>	<u>-</u>	<u>209,372</u>
Total	<u>19,040,893</u>	<u>1,187,038</u>	<u>-</u>	<u>-</u>	<u>20,227,931</u>
<i>Less accumulated depreciation:</i>					
Land and land improvements	42,389	9,746	-	-	52,135
Building	3,061,767	538,644	-	-	3,600,411
Equipment	<u>5,180,132</u>	<u>818,678</u>	<u>-</u>	<u>-</u>	<u>5,998,810</u>
Total accumulated depreciation	<u>8,284,288</u>	<u>1,367,068</u>	<u>-</u>	<u>-</u>	<u>9,651,356</u>
Net capital assets being depreciated	<u>\$ 10,756,605</u>	<u>\$ (180,030)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,576,575</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County of Luce reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, proprietary funds, and fiduciary funds. Interfund transactions resulting in interfund Receivables and Payable are as follows:

DUE FROM OTHER FUNDS	DUE TO OTHER FUNDS		
	All Others	Agency	Totals
General Fund	\$ 120,877	\$ -	\$ 120,877
All Others	<u>7,038</u>	<u>5,144</u>	<u>12,182</u>
Total	<u>\$ 127,915</u>	<u>\$ 5,144</u>	<u>\$ 133,059</u>

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

TRANSFERS IN	TRANSFERS OUT				
	General Fund	Ambulance	Tax Revolving Reserve	All Others	Total
General Fund	\$ -	\$ -	\$ -	\$ 96,485	\$ 96,485
Tax Revolving Reserve	-	-	-	52,739	52,739
All Other	<u>50,648</u>	<u>64,685</u>	<u>1,625</u>	<u>9,583</u>	<u>126,541</u>
Total	<u>\$ 50,648</u>	<u>\$ 64,685</u>	<u>\$ 1,625</u>	<u>\$ 158,807</u>	<u>\$ 275,765</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE 7 - LEASES**

Capital Leases – The County leases vehicles and other equipment under capital leases with yearly lease payments ranging from \$2,629 to \$9,414 including interest rates ranging from 5.9% to 7%. The leases qualify as capital leases for accounting purposes and therefore have been recorded at the present value of future minimum lease payments as of the inception date.

The following is a schedule, by year, of future minimum payments required under the leases, together with their present value as of December 31, 2004:

2005	\$	8,574
2006		2,921
2007		2,921
2008		<u>974</u>
Total minimum lease payments		15,390
Less: Amount representing interest		<u>(1,013)</u>
Present value of minimum lease payments	\$	<u><u>14,377</u></u>

HEALTH DEPARTMENT

The District Health Department has capital lease commitments for a CMHC Computer System and four Konica copiers.

The following is a schedule, by year, of future minimum payments required under the leases, together with their present value as of September 30, 2004:

2005	\$	7,751
2006		<u>5,815</u>
Total minimum lease payments		13,566
Less: Amount representing interest		<u>1,372</u>
Present value of minimum lease payments	\$	<u><u>12,194</u></u>

**NOTE 8 - LONG-TERM DEBT**

The government issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. County contractual agreements and installment purchase agreements are also general obligations of the government.

### NOTE 8 - LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	Interest Rate	Principal Matures	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>							
Indirect County Obligations:							
Act 185 Bonds for DPW							
Sewer No. 1	5%	2016	\$ 400,000	\$ -	28,000	\$ 372,000	\$ 29,000
Installment Loans:							
Ballpark - Parks & Recreation	6%	2005	13,447	-	6,241	7,206	7,206
Parks & Recreation	5%	2011	60,266	-	6,657	53,609	6,726
General Obligation Bonds:							
1996 Unlimited Tax	5.1%-7.6%	2006	530,000	-	165,000	365,000	175,000
Series 2002-B, Limited Tax, Capital Improvement Bonds	4.45%	2009	<u>355,000</u>	<u>-</u>	<u>50,000</u>	<u>305,000</u>	<u>55,000</u>
Total Governmental Activities			<u>\$ 1,358,713</u>	<u>\$ -</u>	<u>\$ 255,898</u>	<u>\$ 1,102,815</u>	<u>\$ 272,932</u>
<b>Business-Type Activities:</b>							
Limited Tax Notes*							
Series 2003	Variable	2004	\$ 87,090	-	\$ 87,090	\$ -	\$ -
Series 2004	Variable	2005	<u>-</u>	<u>315,000</u>	<u>159,164</u>	<u>155,836</u>	<u>155,836</u>
Total Business-Type Activities			<u>\$ 87,090</u>	<u>\$ 315,000</u>	<u>\$ 246,254</u>	<u>\$ 155,836</u>	<u>\$ 155,836</u>

\*Interest payments vary according to payment dates and interest rates. Because payment dates have not been prescheduled and interest is variable, outstanding interest is not determinable at this time.

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End December 31</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 272,932	\$ 53,092
2006	282,065	39,647
2007	98,509	25,628
2008	103,884	21,032
2009	109,278	16,195
2010-2014	172,147	36,947
2015-2019	<u>64,000</u>	<u>3,200</u>
Total	<u>\$ 1,102,815</u>	<u>\$ 195,741</u>

**NOTE 8 - LONG-TERM DEBT (Continued)**Other Information on Long-Term Debt

The General Obligation Tax Notes are issued to finance the Delinquent Tax Revolving Funds for the purchase of delinquent real property taxes in accordance with the provisions of Sections 211.87b, 211.87c, and 211.87d of the 1979 Compiled Laws, as amended. The assets of the respective 100 percent Tax Payment Funds are pledged for the payment of principal and interest on these notes.

The County has irrevocably pledged its full faith and credit as collateral for the DPW Sewer No. 1 bonds issued in accordance with the provisions of Public Act 185 of 1957, as amended, to finance sewage system construction projects which are administered by the County of Luce Department of Public Works for local municipalities. Payments by the Village of Newberry, McMillan and Pentland Townships, to the County, in accordance with contractual agreements, provide the money required to meet the principal and interest on these bonds.

The County has irrevocably pledged its full faith and credit as collateral for the County of Luce Building Authority Bonds, Series 1978 issued in accordance with the provisions of Public Act 31, of 1948, as amended, for the purpose of construction of the Senior Citizens Housing Facility for the Luce County Housing Commission. The Luce County Housing Commission leases the property from the Luce County Building Authority for the period which is the lesser of fifty years or until the present value of the minimum lease payments are paid.

The County has irrevocably pledged its full faith and credit as collateral for the County of Luce Building Authority Bonds, Series 1997 issued in accordance with the provisions of Public Act 31 of 1948, as amended, for the purpose of renovation of the Helen Newberry, Joy Hospital.

Compensated Absences

Under existing union contracts and County policies, all regular full-time employees are eligible for paid leave based on length of service. Accrued vacation benefits are earned in varying amounts depending on the number of years of service up to a maximum number of days depending on the department. Sick leave, which is applicable only to union employees, may be accumulated up to 90 days. Upon termination, up to 50% of the unused sick leave up to a maximum of 45 days may be paid. Current portions of accumulated sick and vacation pay are not material.

**NOTE 8 - LONG-TERM DEBT (Continued)**

A summary of vested benefits payable at December 31, 2004 is as follows:

Vacation	\$ 33,951
Sick Leave	<u>47,774</u>
TOTALS	<u>\$ 81,725</u>

ROAD COMMISSION

The following is a summary of pertinent information concerning the County Road Commission's long-term debt.

	<u>Balances</u> <u>01/01/04</u>	<u>Additions</u> <u>(Reductions)</u>	<u>Balances</u> <u>12/31/04</u>
Vested Employee Benefits Payable			
Vacation Benefits	\$ 78,309	\$ (5,642)	\$ 72,667
Sick Leave Benefits	<u>149,146</u>	<u>3,291</u>	<u>152,437</u>
Total	<u>\$ 227,455</u>	<u>\$ (2,351)</u>	<u>\$ 225,104</u>

Vacation Benefits

Road Commission employment policies provide for vacation benefits to be earned in varying amounts depending on the employee's years of service. New employees are eligible for vacation benefits after 1 year of service, and vacation benefits accrue on a biweekly pay period basis thereafter. Employees may accumulate up to a maximum of 2 years vacation benefits.

Sick Leave Benefits

Road Commission employment policies provide for sick leave benefits to be earned at the rate of 1 day per month, with an unlimited accumulation. Employees hired prior to July 1, 1981, upon voluntary termination with ten working days notice, retirement, or death of an employee in the service of the Road Commission, shall be paid for 100% of any accumulated unused sick leave up to a maximum of 160 days.

Employees hired after July 1, 1981 will receive payment for ½ of their unused accumulated sick leave up to a maximum of 60 days, upon retirement only.

**NOTE 8 - LONG-TERM DEBT (Continued)**

HEALTH DEPARTMENT

The District Health Department has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2004, the accumulated vacation and sick leave benefits were as follows:

	Account Balance 10/01/03	Additions	Deletions	Account Balance 09/30/04
Vacation	\$ 131,193	\$ 6,196	\$ -	\$ 137,389
Sick	<u>74,434</u>	<u>10,773</u>	<u>-</u>	<u>85,207</u>
TOTAL	<u>\$ 205,627</u>	<u>\$ 16,969</u>	<u>\$ -</u>	<u>\$ 222,596</u>

Vacation and Sick Leave Policy - Vacations are earned in varying amounts depending on the number of years of service and may be accumulated up to a maximum of 30 days.

Sick leave is paid at fifty percent of the employee's unused sick leave, up to a maximum of 480 hours, upon retirement, separation, or death after ten years of service. Payment shall be made at the employee's current rate of pay.

LUCE COUNTY HOUSING COMMISSION

During the year ended December 31, 2004, the following changes occurred in long-term liabilities

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Bonds	\$ 575,000	\$ -	\$ (105,000)	\$ 470,000	\$ 110,000
Vested sick pay	<u>5,193</u>	<u>662</u>	<u>-</u>	<u>5,855</u>	<u>-</u>
Totals	<u>\$ 580,193</u>	<u>\$ 662</u>	<u>\$ (105,000)</u>	<u>\$ 475,855</u>	<u>\$ 110,000</u>

Long-term obligations at December 31, 2004 is comprised of the following amounts:

1. 1978 Capital Building Bonds due in annual installments of \$10,000 to \$100,000 through May 1, 2007 with interest at 7.25%	\$ 300,000
2. 2002 Rehabilitation Bonds due in annual installments of \$5,000 to \$50,000 through July 1, 2010 with interest at 4.45%	<u>170,000</u>
	470,000
3. Vested sick pay	<u>5,855</u>
Total long-term obligations	<u>\$ 475,855</u>



**NOTE 8 - LONG-TERM DEBT (Continued)**

The annual requirements to amortize long-term obligations outstanding as of December 31, 2004 are as follows:

Year Ended December 31	Bond Issues		Vested Sick Pay	Total
	Principal	Interest		
2005	\$ 110,000	\$ 25,691	\$ -	\$ 135,691
2006	115,000	17,995	-	132,995
2007	125,000	10,077	-	135,077
2008	30,000	5,340	-	35,340
2009	40,000	4,006	-	44,006
2010-2014	<u>50,000</u>	<u>2,224</u>	<u>5,855</u>	<u>58,079</u>
Total	<u>\$ 470,000</u>	<u>\$ 65,333</u>	<u>\$ 5,855</u>	<u>\$ 541,188</u>

Interest charged to expenses totaled \$31,826.

**HELEN NEWBERRY JOY HOSPITAL**

Long-term liability activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Current Year Additions	Current Year Reductions	Ending Balance	Amounts Due Within One Year
Long-term debt payable:					
Series 2001A	\$ 5,466,393	\$ -	\$ (177,192)	\$ 5,289,201	\$ 200,196
Series 2001B	346,054	-	(92,020)	254,034	99,509
Equipment note	-	1,000,000	-	1,000,000	47,066
Other	<u>192,864</u>	<u>-</u>	<u>(162,665)</u>	<u>30,199</u>	<u>30,199</u>
Total long-term debt	<u>\$ 6,005,311</u>	<u>\$ 1,000,000</u>	<u>\$ (431,877)</u>	<u>\$ 6,573,434</u>	<u>\$ 376,970</u>

The bonds payable are summarized as follows:

- Revenue bonds payable to a financial institution, Healthcare Facilities Series 2001A Bond Agreement, with monthly payment ranging from \$15,100 to \$39,400 plus interest, with a portion fixed at a rate of 5.61 percent and a portion variable that was 3.94 percent at December 31, 2004. These bonds are collateralized by substantially all assets of the Hospital.
- Revenue bond payable to a financial institution, Healthcare Facilities Series 2001B Bond Agreement, with monthly payments ranging from \$8,300 to \$9,500 plus interest at a variable rate, which was 3.94 percent at December 31, 2004. These bonds are collateralized by substantially all assets of the Hospital.

**NOTE 8 - LONG-TERM DEBT (Continued)**

- Note payable related to acquisition of equipment with interest-only payments at 4.2 percent beginning November 2004 through June 2005. Monthly payment, beginning July 2005, range from \$5,400 to \$22,700, plus interest at 4.2 percent. The note payable is due in October 2009 and is collateralized by substantially all assets of the Hospital.

The following is a schedule by years of principal and interest as of December 31, 2004:

Years Ending December 31	Long-term Debt	
	Principal	Interest
2005	\$ 376,970	\$ 291,786
2006	536,486	271,893
2007	518,025	248,359
2008	487,814	226,767
2009	464,100	204,872
2010-2014	1,383,407	821,184
2015-2019	1,744,887	459,703
2020-2024	<u>1,061,745</u>	<u>64,324</u>
Total payments	<u>\$ 6,573,434</u>	<u>\$ 2,588,888</u>

**NOTE 9 - RISK MANAGEMENT**

Risk Management – The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The government was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The County joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The government pays an annual premium to the pool for its vehicle, property, and general liability insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$75,000 for each insured event.

The government continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The government is unable to provide an estimate of the amounts of additional assessments.

**NOTE 10 - CONTINGENT LIABILITIES**

The County and component units have received significant financial assistance from state and federal agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the County. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the County at December 31, 2004.

**LMAS District Health Department:**

Medicare - District Health services rendered to Medicare program beneficiaries are paid at prospectively determined rates per visit. Certain District Health services are paid based on a cost reimbursement methodology. The Health Department reports such activity through the submission of its annual cost reports which are subject to audit by the Medicare fiscal intermediary. The Health Department's classification of clients under the Medicare program and the appropriateness of their admission and visits are subject to a review by Medicare.

**Economic Development Corporation:**

The Luce County Economic Development Corporation (EDC) is a guarantor for a local business loan with a local bank. The agreement provides that the EDC will guarantee payments on the loan agreement. The bank may agree to release the guarantee upon the borrower reaching a principal balance of \$100,000. The outstanding balance of the loan at December 31, 2004 is \$164,361. EDC cash has been restricted in the amount of \$30,000 for this purpose.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS****GENERAL GOVERNMENT AND HOUSING**

Description of Plan and Plan Assets - The County is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement and service retirement to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.0 percent times the final average compensation (FAC). The most recent period of which actuarial data was available was for year ended December 31, 2003.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

MERS was organized pursuant to Section 12A of Act #156, Public Acts of 1851 (MSA 5.333 (a); MCLA 46.12 (a), as amended, State of Michigan). MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the County's competitive bargaining unit and personnel policy, which require employees to contribute to the plan. The County is required to contribute at an actuarially determined rate.

The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

General	16.15%
Housing Commission	11.28%

Annual Pension Cost - During the year ended December 31, 2004, the County's contributions totaling \$146,863 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2002. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases. The unfunded actuarial liability is amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31, follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 1,753,319	\$ 1,822,786	\$ 1,972,826
Actuarial Accrued Liability	2,693,678	2,914,373	3,071,468
Unfunded AAL	940,359	1,091,587	1,098,642
Funded Ratio	65%	62.5%	64%
Covered Payroll	848,883	889,309	907,429
UAAL as a Percentage of Covered Payroll	111%	123%	121%

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

ROAD COMMISSION

Defined Benefit Pension Plan (Michigan Municipal Employees' Retirement System)

Plan Description – The Luce County Road Commission participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the Local Government Unit. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at: 447 North Canal Street, Lansing, Michigan.

Funding Policy – The obligation to contribute and maintain the system for these employees was established by negotiation with the Luce County Road Commission's competitive bargaining units and requires a contribution based on gross wages by County Road Commission only.

Annual Pension Costs – For year ended 2004, the Luce County Road Commission's pension cost of \$144,596 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation as December 31, 2002, using the age normal cost method. Significant actuarial assumptions used include: (i) a 8% investment rate of return; (ii) projected salary increases of 4.5 percent per year. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three year trend information as of December 31 follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Actuarial Value of Assets	\$ 3,703,324	\$ 3,710,211	\$ 3,896,539
Actuarial Accrued Liability	5,306,614	5,563,174	6,032,626
Unfunded AAL	1,603,290	1,852,963	2,136,087
Funded Ratio	70%	67%	65%
Covered Payroll	855,982	890,280	868,162
UAAL as a Percentage of Covered Payroll	187%	208%	246%

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

**LMAS DISTRICT HEALTH DEPARTMENT**

Plan Description - The LMAS District Health Department contributes to the Michigan Municipal Employees Retirement System ("System"), an agent multiple-employer public employee retirement system that acts as a common investment and administrative agent for all Michigan municipal employees.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (msa 5.333 (A); MCLA 46.12 (a), as amended, State of Michigan. MERS is regulated under Act No. 427 of Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

All full-time employees of the LMAS District Health Department are eligible to participate in the System. Benefits vest after six years of service. LMAS employees listed after February 1997 who retire at or after age 60 with 10 years of credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to the sum of 1.7 percent times the member's 5 year final average compensation. The System also provides death and disability benefits. These benefit provisions and all other requirements are established by State statute and County ordinance.

Active employees with ten or more years of service, who become disabled, receive an amount equal to the same as would be received under the normal retirement requirements, except that the reduction for retirement before age 60 is not applied. If the disability is from service connected causes, the amount of retirement allowance shall be computed as if the member had acquired exactly 10 years of credited service, if the actually acquired credited service is less than 10 years.

If an active employee dies, the beneficiary receives a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election. An employee's surviving spouse will receive a retirement allowance equal to 85% of the deceased members or deceased vested former members accrued retirement allowance computed in the same manner as a service retirement allowance, based on service and final average compensation at time of death.

The most recent period of which actuarial data was available was for the fiscal year ended December 31, 2003.

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the District Health Department's personnel policy, which requires employees to contribute -0- percent to the plan. The District Health Department is required to contribute at an actuarially determined rate. The contribution rate as a percentage of payroll at December 31, 2003 is as follows:

General	-0-%
Employee 2/97	-0-%

Annual Pension Cost – During the year ended September 30, 2004, the District Health Department's contributions totaling \$43,144 were made in accordance with the contribution requirement determined by an actuarial valuation of the plan as of December 31, 2003. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the members retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three year trend information as of December 31 is as follows:

	2001	2002	2003
Actuarial Value of Assets	\$ 5,760,453	\$ 5,822,029	\$ 6,113,081
Actuarial Accrued Liability	5,120,238	5,535,184	5,823,673
Unfunded AAL	(640,215)	(286,845)	(289,408)
Funded Ratio	113%	105%	105%
Covered Payroll	2,826,191	2,610,491	2,344,678
UAAL as a Percentage of Covered Payroll	0%	0%	0%

**NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS (Continued)**

HELEN NEWBERRY JOY HOSPITAL

Plan Description – The Hospital sponsors both a defined benefit plan and a defined contribution plan. The Hospital participates in the Michigan Municipal Employees Retirement System (MMERS), and agent multiple-employer defined benefit pension plan that covers qualifying full-time employees of the Hospital who did not migrate to the defined contribution plan. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. MMERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MMERS at 447 North Canal Road, Lansing Michigan, 48917.

Funding Policy – Benefit provisions of the MMERS, and employer and employee obligations to contribute, are outlined in Act No. 47 of the Public Acts of 1984, as amended. Pension expense consists of normal costs of the plan and amortization of prior service cost over a 40-year period, net of amortization of investment gains over a 10-year period.

Annual Pension Cost – The Hospital's contributions to the plan amounted to \$306,036 and \$219,199 in 2004 and 2003, respectively. The actuarially determined contribution requirements have been met based on actuarial valuations performed at December 31, 2002.

Three year trend information as of December 31 is as follows:

	2003	2002	2001
Annual Pension Cost (APC)	\$ 219,199	\$ 140,353	\$ 218,544
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	9,161,523	8,706,864	8,714,655
Actuarial accrued liability (entry age)	11,230,615	10,363,835	9,180,195
Unfunded Actuarial Accrued Liability (UAAL)	2,069,092	1,656,971	465,540
Funded Ratio	82%	84%	95%
Covered Payroll	3,031,204	2,957,088	3,027,938
UAAL as a Percentage of Covered Payroll	(68)%	(56)%	(15)%

Defined Contribution Plan – The Hospital sponsors a defined contribution plan covering all employees hired after June 1, 2001, and all other employees who elected to change from the defined benefit plan. Participating employees in this plan must contribute 2 percent of their gross earnings and the Hospital contributes 7 percent of gross earning for participants. The Hospital's contribution totaled \$411,122 and \$380,884 for the years ended December 31, 2004 and 2003, respectively.



**NOTE 12 - FUND BALANCE/RETAINED EARNINGS**

Reservations

Retained earning reservations are summarized as follows:

**Debt Service Funds**

Hospital Bond Debt Service – reserved for payment of principal and interest on hospital bonds	\$ 463,600
Total Debt Service Funds	<u>\$ 463,600</u>

Designations

Fund balance designations, all of which are designations for subsequent years' expenditures, are summarized as follows:

**Capital Project Funds**

Crisp Point Lighthouse	\$ 33,410
Total Capital Project Funds	<u>\$ 33,410</u>

**NOTE 13 - PRIOR PERIOD ADJUSTMENT**

Beginning net assets were restated to account for deferred revenue not previously included in net assets.

Net assets as of December 31, 2003	\$ 2,805,353
Prior period adjustment for recognition of deferred revenue from prior years	<u>136,697</u>
Net assets restated	<u>\$ 2,942,050</u>

**NOTE 13 - INTERLOCAL AGREEMENT – REVOLVING LOAN FUND**

The Luce County EDC and McMillan Township are parties to an interlocal agreement to administer a revolving loan fund and grant program. The loans (or grants) are issued to qualified local businesses to promote economic development in the Luce County area. McMillan Township pays the Luce County EDC an annual fee to handle the administrative duties of the revolving loan fund such as loan processing, maintaining loan files, and payment processing. The agreement provides that all grant or loan applications must be presented to the EDC Board for review with final approval by both the EDC and Township Boards. The agreement also allows either board to approve a loan rejected by the other, provided there are sufficient funds in that government's control to finance the entire project.

**NOTE 13 - INTERLOCAL AGREEMENT – REVOLVING LOAN FUND (Continued)**

Pursuant to this agreement, the cash and loan balances are jointly held by the EDC and the Township. The balances are considered "reuse" monies according to the terms of the original grant agreements from the U.S. Department of Commerce which are now fully closed out. A summary of the activity of the revolving loan fund for the year ended December 31, 2004 is as follows:

Balance, January 1	\$ 1,724,561
Loans granted during period	205,000
Less: Repayments	<u>(143,890)</u>
Subtotal	1,785,671
Less: allowance for loan losses	<u>(196,424)</u>
Balance, December 31	<u>\$ 1,589,247</u>

**NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLE**

Effective January 1, 2004, the County implemented several new accounting standards issued by GASB:

Statement No. 33, Accounting and Financial Reporting for Non-Exchange Transactions, as amended by Statement No. 36, Recipient Reporting for Certain Shared Non-Exchange Revenues, which establishes standards for recording non-exchange transactions on the modified accrual and accrual basis of accounting.

Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, as amended by Statement No. 37, Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments Omnibus, which established new financial reporting standards for state and local governments. This statement requires significant change in the financial reporting model used by local governments, eliminating account groups and utilizing full accrual basis of accounting and the economic resources measurement focus. Another significant change is the Management Discussion and Analysis Section, which provides an overall analysis of the financial position and results of operations and conditions that could have significant effect on the financial position or results of operations.

Statement No. 38, Certain Financial Statement Note Disclosures, which requires certain note disclosures when implementing GASB Statement 34.

## **Required Supplemental Information**

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**Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,106,520	\$ 1,104,978	\$ 1,104,978	\$ -
License & Permits	16,670	17,901	17,397	(504)
Federal Sources	93,000	106,268	128,156	21,888
State Sources	252,924	159,920	145,679	(14,241)
Local Sources	20,000	20,571	20,571	-
Charges for Services	224,790	224,102	218,964	(5,138)
Interest & Rentals	12,000	16,180	14,718	(1,462)
Fines & Forfeitures	8,000	6,642	6,089	(553)
Other Revenue	2,300	3,881	4,799	918
<b>TOTAL REVENUES</b>	<b>1,736,204</b>	<b>1,660,443</b>	<b>1,661,351</b>	<b>908</b>
EXPENDITURES:				
Legislative:				
Board of Commissioners	53,543	49,342	46,640	2,702
Judicial:				
Circuit Court	59,749	57,333	56,637	696
District Court	128,992	116,274	112,259	4,015
Friend of the Court	117,104	117,295	118,774	(1,479)
Jury Commission	2,022	2,055	2,054	1
Probate Court	62,619	60,761	61,269	(508)
Juvenile Court	56,812	57,492	56,970	522
Court Appointed Appellate Attorney	48,420	55,985	55,827	158
<b>Total Judicial</b>	<b>475,718</b>	<b>467,195</b>	<b>463,790</b>	<b>3,405</b>
General Government:				
Elections	12,525	9,879	9,878	1
Clerk/Register of Deeds	166,632	168,945	169,337	(392)
Equalization	90,604	92,983	92,446	537
Prosecuting Attorney	99,594	102,002	101,804	198
Treasurer	91,450	92,430	93,924	(1,494)
Computer	20,455	20,610	18,485	2,125
Buildings & Grounds	106,533	96,662	102,744	(6,082)
Record Copying	700	10,261	10,260	1
<b>Total General Government</b>	<b>588,493</b>	<b>593,772</b>	<b>598,878</b>	<b>(5,106)</b>

**Required Supplemental Information  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Public Safety:				
Sheriff	165,693	164,097	164,714	(617)
Snowmobile Safety Program	9,300	2,492	2,490	2
Zoning Commission	44,434	45,184	45,087	97
Jail	143,984	142,770	146,980	(4,210)
Building/Housing Commission	2,350	1,925	1,982	(57)
Total Public Safety	365,761	356,468	361,253	(4,785)
Health & Welfare:				
Contagious Diseases	100	-	-	-
Medical Examiner	3,000	4,630	5,345	(715)
Total Health & Welfare	3,100	4,630	5,345	(715)
Other Expenditures:				
Appropriations	80,938	84,052	83,457	595
Employee Benefits	-	2,880	2,888	(8)
Audit	29,390	29,390	29,244	146
Insurance & Bonds	48,796	54,709	52,713	1,996
Postage	4,572	4,326	4,421	(95)
Contingencies	71,222	-	-	-
Total Other Expenditures	234,918	175,357	172,723	2,634
TOTAL EXPENDITURES	1,721,533	1,646,764	1,648,629	(1,865)
EXCESS OF REVENUES OVER EXPENDITURES	14,671	13,679	12,722	(957)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In	32,000	26,000	96,485	70,485
Operating Transfers Out	(46,671)	(112,604)	(50,648)	61,956
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ -	\$ (72,925)	58,559	\$ 131,484
FUND BALANCE, JANUARY 1			374,927	
FUND BALANCE, DECEMBER 31			\$ 433,486	

**Required Supplemental Information**  
**Budgetary Comparison Schedule**  
**Ambulance**  
**For the Year Ended December 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 136,200	\$ 136,911	\$ 136,911	\$ -
Local Sources	-	93	93	-
Charges for Services	170,000	219,292	343,053	123,761
Interest & Rentals	10,000	5,237	5,334	97
Other Revenue	600	519	523	4
TOTAL REVENUES	316,800	362,052	485,914	123,862
EXPENDITURES:				
Health and Welfare	304,127	211,827	220,188	(8,361)
Capital Outlay	30,000	14,021	14,462	(441)
TOTAL EXPENDITURES	334,127	225,848	234,650	(8,802)
EXCESS OF REVENUES OVER EXPENDITURES	(17,327)	136,204	251,264	115,060
OTHER FINANCING SOURCES (USES):				
Operating Transfers Out	(64,685)	(64,685)	(64,685)	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (82,012)	\$ 71,519	186,579	\$ 115,060
FUND BALANCE, JANUARY 1			314,285	
Prior Period Adjustment			136,697	
FUND BALANCE, DECEMBER 31			\$ 637,561	

## **Other Supplemental Information**

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# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

Special Revenue Funds									
	Family Counseling	ORV Enforcement Grant	Snowmobile Enforcement Grant	Parks and Recreation	Luce County Park & Campground	Coop Extension Service	Friend of the Court	Tax Revolving Reserve	Animal Control
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 197	\$ 1,050	\$ 2,000	\$ -	\$ 9,635	\$ 9,518	\$ 11,363	\$ 4,433	\$ 10,605
Receivables:									
Accounts	-	-	5,515	687	-	-	2,219	-	-
Taxes	-	-	-	70,491	-	70,491	-	-	58,670
Due from Other Funds	-	-	-	9,583	-	-	-	-	-
Due from Governmental Units	-	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 197</b>	<b>\$ 1,050</b>	<b>\$ 7,515</b>	<b>\$ 80,761</b>	<b>\$ 9,635</b>	<b>\$ 80,009</b>	<b>\$ 13,582</b>	<b>\$ 4,433</b>	<b>\$ 69,275</b>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ -	\$ 8,502	\$ 9,583	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	7,515	319	51	148	900	-	2,376
Accrued Liabilities	-	-	-	1,379	-	882	-	-	1,540
Other Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	70,491	-	70,491	-	-	58,670
	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>7,515</b>	<b>80,691</b>	<b>9,634</b>	<b>71,521</b>	<b>900</b>	<b>-</b>	<b>62,586</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	197	1,050	-	70	1	8,488	12,682	4,433	6,689
<b>TOTAL FUND BALANCES</b>	<b>197</b>	<b>1,050</b>	<b>-</b>	<b>70</b>	<b>1</b>	<b>8,488</b>	<b>12,682</b>	<b>4,433</b>	<b>6,689</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 197</b>	<b>\$ 1,050</b>	<b>\$ 7,515</b>	<b>\$ 80,761</b>	<b>\$ 9,635</b>	<b>\$ 80,009</b>	<b>\$ 13,582</b>	<b>\$ 4,433</b>	<b>\$ 69,275</b>



# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds								
	Luce County Master Plan	Michigan Coastal Mgmt Grant	Remonu- mentation	Register of Deeds Automation	Emergency Management	Local Corrections Officers Training	911	Law Library	Housing Grant/ Loan
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 4,873	\$ -	\$ 5,409	\$ 18,882	\$ 6,136	\$ 875	\$ 104,134	\$ 12	\$ 42,948
Receivables:									
Accounts	-	-	-	-	-	-	23,942	-	-
Taxes	-	-	-	-	-	-	-	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	-	18,530	-	6,441	-	-	-	-
Inventories	-	-	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 4,873</b>	<b>\$ -</b>	<b>\$ 23,939</b>	<b>\$ 18,882</b>	<b>\$ 12,577</b>	<b>\$ 875</b>	<b>\$ 128,076</b>	<b>\$ 12</b>	<b>\$ 42,948</b>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ -	\$ -	\$ -	\$ 2,417	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	7,200	-	314	-	4,456	-	-
Accrued Liabilities	-	-	-	-	226	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>7,200</b>	<b>-</b>	<b>2,957</b>	<b>-</b>	<b>4,456</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	4,873	-	16,739	18,882	9,620	875	123,620	12	42,948
<b>TOTAL FUND BALANCES</b>	<b>4,873</b>	<b>-</b>	<b>16,739</b>	<b>18,882</b>	<b>9,620</b>	<b>875</b>	<b>123,620</b>	<b>12</b>	<b>42,948</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,873</b>	<b>\$ -</b>	<b>\$ 23,939</b>	<b>\$ 18,882</b>	<b>\$ 12,577</b>	<b>\$ 875</b>	<b>\$ 128,076</b>	<b>\$ 12</b>	<b>\$ 42,948</b>

# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds								
	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	CDBG Housing Rehabilitation	Brownfield Site Plan Grant	Revenue Sharing Reserve	Child Care - Probate	Soldiers & Sailors Relief
ASSETS:									
Cash & Investments - Unrestricted	\$ 816	\$ 12,741	\$ -	\$ 913	\$ -	\$ -	\$ -	\$ 1,266	\$ -
Receivables:									
Accounts	-	-	-	-	-	8,337	-	-	-
Taxes	-	-	-	-	-	-	271,250	-	-
Due from Other Funds	-	-	-	-	-	-	-	-	-
Due from Governmental Units	-	11,263	4,509	2,250	-	-	-	1,500	-
Inventories	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	\$ 816	\$ 24,004	\$ 4,509	\$ 3,163	\$ -	\$ 8,337	\$ 271,250	\$ 2,766	\$ -
LIABILITIES:									
Due to Other Funds	\$ -	\$ 22,930	\$ 3,648	\$ 2,599	\$ -	\$ -	\$ 70,485	\$ -	\$ -
Accounts Payable	-	-	22	176	-	8,337	-	2,517	-
Accrued Liabilities	-	1,074	529	388	-	-	-	-	-
Other Liabilities	-	-	-	-	-	-	-	-	-
Deferred Revenue	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	24,004	4,199	3,163	-	8,337	70,485	2,517	-
FUND BALANCES:									
Unreserved:									
Undesignated	816	-	310	-	-	-	200,765	249	-
TOTAL FUND BALANCES	816	-	310	-	-	-	200,765	249	-
TOTAL LIABILITIES AND FUND BALANCES	\$ 816	\$ 24,004	\$ 4,509	\$ 3,163	\$ -	\$ 8,337	\$ 271,250	\$ 2,766	\$ -

# County of Luce, Michigan

## Combining Balance Sheet Nonmajor Governmental Funds December 31, 2004

	Special Revenue Funds				Debt Service			Capital Project Fund	
	Veterans Trust	Airport	Drunk Driving Caseload Assist.	Substance Abuse	County Park Debt Retirement	Ambulance Building Bond Debt Service	Debt Ret.- Sewage Debt Service	Crisp Point Lighthouse Project	Totals
<b>ASSETS:</b>									
Cash & Investments - Unrestricted	\$ 514	\$ 11,988	\$ 19,367	\$ -	\$ -	\$ -	\$ -	\$ 33,410	\$ 313,085
Receivables:									
Accounts	-	-	-	-	-	-	-	-	40,700
Taxes	-	70,491	-	-	-	-	-	-	541,393
Due from Other Funds	-	-	-	2,599	-	-	-	-	12,182
Due from Governmental Units	-	-	-	-	-	-	-	-	44,493
Inventories	-	14,056	-	-	-	-	-	-	14,056
<b>TOTAL ASSETS</b>	<b>\$ 514</b>	<b>\$ 96,535</b>	<b>\$ 19,367</b>	<b>\$ 2,599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,410</b>	<b>\$ 965,909</b>
<b>LIABILITIES:</b>									
Due to Other Funds	\$ -	\$ 5,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,164
Accounts Payable	-	1,521	-	-	-	-	-	-	35,852
Accrued Liabilities	-	866	-	-	-	-	-	-	6,884
Other Liabilities	-	387	-	-	-	-	-	-	387
Deferred Revenue	-	70,491	-	-	-	-	-	-	270,143
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>78,265</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>438,430</b>
<b>FUND BALANCES:</b>									
Unreserved:									
Undesignated	514	18,270	19,367	2,599	-	-	-	33,410	527,479
<b>TOTAL FUND BALANCES</b>	<b>514</b>	<b>18,270</b>	<b>19,367</b>	<b>2,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,410</b>	<b>527,479</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 514</b>	<b>\$ 96,535</b>	<b>\$ 19,367</b>	<b>\$ 2,599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,410</b>	<b>\$ 965,909</b>

# County of Luce, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	Family Counseling	ORV Enforcement Grant	Snowmobile Enforcement Grant	Parks and Recreation	Luce County Park & Campground	Coop Extension Service	Friend of the Court	Tax Revolving Reserve	Animal Control
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ 69,973	\$ -	\$ 69,973	\$ -	\$ -	\$ 58,237
License & Permits	-	-	-	-	-	-	-	-	1,573
Federal Sources	-	-	-	-	-	-	-	-	-
State Sources	-	1,050	7,515	-	-	-	2,029	-	-
Local Sources	-	-	-	3,913	-	48	-	-	1,040
Charges for Services	735	-	-	13,537	22,561	-	675	-	9,328
Interest & Rentals	1	-	-	244	17	492	257	-	327
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	-	-	110	4,150	-	99	-	2,065
<b>TOTAL REVENUES</b>	<b>736</b>	<b>1,050</b>	<b>7,515</b>	<b>87,777</b>	<b>26,728</b>	<b>70,513</b>	<b>3,060</b>	<b>-</b>	<b>72,570</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	3,600	-	-
General Government	-	-	-	-	-	66,394	-	1,073	-
Public Safety	-	-	7,515	-	-	-	-	-	65,808
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	608	-	-	-	-	-	-	-	-
Recreational and Cultural	-	-	-	83,713	29,869	-	-	-	-
Capital Outlay	-	-	-	193	-	3,228	-	-	848
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>608</b>	<b>-</b>	<b>7,515</b>	<b>83,906</b>	<b>29,869</b>	<b>69,622</b>	<b>3,600</b>	<b>1,073</b>	<b>66,656</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>128</b>	<b>1,050</b>	<b>-</b>	<b>3,871</b>	<b>(3,141)</b>	<b>891</b>	<b>(540)</b>	<b>(1,073)</b>	<b>5,914</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	-	-	-	-	-	1,625	-
Operating Transfers Out	-	-	-	(11,585)	2,002	-	(7,000)	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>128</b>	<b>1,050</b>	<b>-</b>	<b>(7,714)</b>	<b>(1,139)</b>	<b>891</b>	<b>(7,540)</b>	<b>552</b>	<b>5,914</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>69</b>	<b>-</b>		<b>7,784</b>	<b>1,140</b>	<b>7,597</b>	<b>20,222</b>	<b>3,881</b>	<b>775</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 197</b>	<b>\$ 1,050</b>	<b>\$ -</b>	<b>\$ 70</b>	<b>\$ 1</b>	<b>\$ 8,488</b>	<b>\$ 12,682</b>	<b>\$ 4,433</b>	<b>\$ 6,689</b>

# County of Luce, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	Luce County Master Plan	Michigan Coastal Mgmt Grant	Remonu- mentation	Register of Deeds Automation	Emergency Management	Corrections Officers Training	911	Law Library	Housing Grant/ Loan
REVENUES:									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-	-
Federal Sources	-	3,000	-	-	49,347	-	-	-	-
State Sources	-	-	69,253	-	-	-	76,169	-	-
Local Sources	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	10,735	-	1,800	77,391	-	3,492
Interest & Rentals	73	-	-	202	87	-	1,502	-	632
Fines and Forfeitures	-	-	-	-	-	-	-	2,000	-
Other Revenue	-	8,714	-	-	-	-	517	-	-
TOTAL REVENUES	73	11,714	69,253	10,937	49,434	1,800	155,579	2,000	4,124
EXPENDITURES:									
Judicial	-	-	-	-	-	-	-	7,410	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	-	-	-	-	49,238	925	27,239	-	-
Public Works	-	-	69,014	-	-	-	-	-	-
Health and Welfare	-	-	-	-	-	-	-	-	3,228
Recreational and Cultural	-	12,271	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	95,911	-	-
Debt Service	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	-	12,271	69,014	-	49,238	925	123,150	7,410	3,228
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	73	(557)	239	10,937	196	875	32,429	(5,410)	896
OTHER FINANCING SOURCES (USES):									
Operating Transfers In	-	557	-	-	4,285	-	-	4,045	-
Operating Transfers Out	-	-	-	-	-	-	(19,000)	-	-
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	73	-	239	10,937	4,481	875	13,429	(1,365)	896
FUND BALANCES, JANUARY 1	4,800	-	16,500	7,945	5,139	-	110,191	1,377	42,052
FUND BALANCES, DECEMBER 31	\$ 4,873	\$ -	\$ 16,739	\$ 18,882	\$ 9,620	\$ 875	\$ 123,620	\$ 12	\$ 42,948

# County of Luce, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds								
	Officer Training	Secondary Road Patrol	Juvenile Justice	E.U.P. Community Corrections	CDBG Housing Rehabilitation	Brownfield Site Plan Grant	Revenue Sharing Reserve	Child Care - Probate	Soldiers & Sailors Relief
<b>REVENUES:</b>									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 271,250	\$ -	\$ -
License & Permits	-	-	-	-	-	-	-	-	-
Federal Sources	-	-	-	-	28,713	7,770	-	-	-
State Sources	677	35,817	14,029	11,692	17,000	-	-	-	-
Local Sources	-	-	-	-	-	3,330	-	-	-
Charges for Services	-	-	-	-	-	-	-	10,561	-
Interest & Rentals	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Other Revenue	-	20	-	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>677</b>	<b>35,837</b>	<b>14,029</b>	<b>11,692</b>	<b>45,713</b>	<b>11,100</b>	<b>271,250</b>	<b>10,561</b>	<b>-</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	16,371	-	-	-	-	-	-
General Government	-	-	-	-	-	-	-	-	-
Public Safety	557	36,226	-	11,502	-	-	-	-	-
Public Works	-	-	-	-	-	-	-	-	-
Health and Welfare	-	-	-	-	45,713	11,100	-	66,274	500
Recreational and Cultural	-	-	-	-	-	-	-	-	-
Capital Outlay	-	1,837	-	190	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>557</b>	<b>38,063</b>	<b>16,371</b>	<b>11,692</b>	<b>45,713</b>	<b>11,100</b>	<b>-</b>	<b>66,274</b>	<b>500</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>120</b>	<b>(2,226)</b>	<b>(2,342)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>271,250</b>	<b>(55,713)</b>	<b>(500)</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	1,713	886	-	-	-	-	38,000	500
Operating Transfers Out	-	-	-	-	-	-	(70,485)	-	-
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>120</b>	<b>(513)</b>	<b>(1,456)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,765</b>	<b>(17,713)</b>	<b>-</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>696</b>	<b>513</b>	<b>1,766</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17,962</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 816</b>	<b>\$ -</b>	<b>\$ 310</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 200,765</b>	<b>\$ 249</b>	<b>\$ -</b>

# County of Luce, Michigan

## Statement of Revenues, Expenditures, and Changes in Fund Balance Nonmajor Governmental Funds For the Year Ended December 31, 2004

	Special Revenue Funds				Debt Service Funds			Capital Project Fund	
	Veterans Trust	Airport	Drunk Driving Caseload Assist.	Substance Abuse	County Park Debt Retirement	Ambulance Building Bond Debt Service	Debt Ret.- Sewage Debt Service	Crisp Point Lighthouse Project	Totals
<b>REVENUES:</b>									
Taxes	\$ -	\$ 69,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 539,406
License & Permits	-	-	-	-	-	-	-	-	1,573
Federal Sources	-	137,700	-	-	-	-	-	-	226,530
State Sources	155	7,650	3,180	-	-	-	-	-	246,216
Local Sources	-	48	-	-	-	-	47,300	6,406	62,085
Charges for Services	-	26,852	-	-	-	-	-	-	177,667
Interest & Rentals	-	695	224	-	-	-	-	441	5,194
Fines and Forfeitures	-	-	-	-	-	-	-	-	2,000
Other Revenue	-	20,185	-	28	-	-	-	-	35,888
<b>TOTAL REVENUES</b>	<b>155</b>	<b>263,103</b>	<b>3,404</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>47,300</b>	<b>6,847</b>	<b>1,296,559</b>
<b>EXPENDITURES:</b>									
Judicial	-	-	-	-	-	-	-	-	27,381
General Government	-	-	-	-	-	-	-	-	67,467
Public Safety	-	-	-	-	-	-	-	-	199,010
Public Works	-	92,297	-	-	-	-	-	-	161,311
Health and Welfare	120	-	-	-	-	-	-	-	127,543
Recreational and Cultural	-	-	-	-	-	-	-	-	125,853
Capital Outlay	-	154,087	-	-	-	-	-	-	256,294
Debt Service	-	-	-	-	9,583	64,685	47,300	-	121,568
<b>TOTAL EXPENDITURES</b>	<b>120</b>	<b>246,384</b>	<b>-</b>	<b>-</b>	<b>9,583</b>	<b>64,685</b>	<b>47,300</b>	<b>-</b>	<b>1,086,427</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>35</b>	<b>16,719</b>	<b>3,404</b>	<b>28</b>	<b>(9,583)</b>	<b>(64,685)</b>	<b>-</b>	<b>6,847</b>	<b>210,132</b>
<b>OTHER FINANCING SOURCES (USES):</b>									
Operating Transfers In	-	-	-	-	9,583	64,685	-	-	125,879
Operating Transfers Out	-	-	-	-	-	-	-	-	(106,068)
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>	<b>35</b>	<b>16,719</b>	<b>3,404</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,847</b>	<b>229,943</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>479</b>	<b>1,551</b>	<b>15,963</b>	<b>2,571</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,563</b>	<b>297,536</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 514</b>	<b>\$ 18,270</b>	<b>\$ 19,367</b>	<b>\$ 2,599</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 33,410</b>	<b>\$ 527,479</b>

# County of Luce, Michigan

## Combining Statement of Net Assets Nonmajor Enterprise Funds December 31, 2004

	2000 Tax Revolving	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>ASSETS:</b>								
Cash & Investments - Unrestricted	\$ -	\$ 51,777	\$ 34,448	\$ 19,391	\$ 17,171	\$ 30	\$ 4,422	\$ 127,239
Tax Receivable	-	2,265	11,486	159,229	-	-	-	172,980
Accrued Interest	-	1,563	3,963	15,923	-	-	-	21,449
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 55,605</u>	<u>\$ 49,897</u>	<u>\$ 194,543</u>	<u>\$ 17,171</u>	<u>\$ 30</u>	<u>\$ 4,422</u>	<u>\$ 321,668</u>
<b>LIABILITIES:</b>								
Due to Other Funds	\$ -	\$ 1,237	\$ 1,204	\$ 310	\$ -	\$ -	\$ -	\$ 2,751
Accounts Payable	-	-	-	-	146	29	-	175
Accrued Liabilities	-	-	-	-	1,158	-	-	1,158
Notes Payable	-	-	-	155,836	-	-	-	155,836
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>1,237</u>	<u>1,204</u>	<u>156,146</u>	<u>1,304</u>	<u>29</u>	<u>-</u>	<u>159,920</u>
<b>NET ASSETS:</b>								
Unrestricted	-	54,368	48,693	38,397	15,867	1	4,422	161,748
<b>TOTAL NET ASSETS</b>	<u>-</u>	<u>54,368</u>	<u>48,693</u>	<u>38,397</u>	<u>15,867</u>	<u>1</u>	<u>4,422</u>	<u>161,748</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ -</u>	<u>\$ 55,605</u>	<u>\$ 49,897</u>	<u>\$ 194,543</u>	<u>\$ 17,171</u>	<u>\$ 30</u>	<u>\$ 4,422</u>	<u>\$ 321,668</u>



# County of Luce, Michigan

## Combining Statement of Revenues, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds For the Year Ended December 31, 2004

	2000 Tax Revolving	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>OPERATING REVENUES:</b>								
Charges for Services	\$ 141	\$ 997	\$ 6,424	\$ 16,280	\$ 52,507	\$ 2,680	\$ 5,311	\$ 84,340
State Sources	-	-	-	-	-	-	3,292	3,292
Interest & Rentals	473	885	10,792	31,573	-	-	19,522	63,245
<b>TOTAL OPERATING REVENUES</b>	<b>614</b>	<b>1,882</b>	<b>17,216</b>	<b>47,853</b>	<b>52,507</b>	<b>2,680</b>	<b>28,125</b>	<b>150,877</b>
<b>OPERATING EXPENSES:</b>								
General and Administrative	-	-	863	6,939	64,456	3,730	24,421	100,409
<b>Total Operating Expenses</b>	<b>-</b>	<b>-</b>	<b>863</b>	<b>6,939</b>	<b>64,456</b>	<b>3,730</b>	<b>24,421</b>	<b>100,409</b>
<b>OPERATING INCOME (LOSS)</b>	<b>614</b>	<b>1,882</b>	<b>16,353</b>	<b>40,914</b>	<b>(11,949)</b>	<b>(1,050)</b>	<b>3,704</b>	<b>50,468</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>								
Interest on Deposits	598	650	179	591	318	-	-	2,336
Interest Expense	-	-	(436)	(3,108)	-	-	-	(3,544)
<b>Total Non-operating Revenues (Expenses)</b>	<b>598</b>	<b>650</b>	<b>(257)</b>	<b>(2,517)</b>	<b>318</b>	<b>-</b>	<b>-</b>	<b>(1,208)</b>
<b>Income (Loss) before Transfers</b>	<b>1,212</b>	<b>2,532</b>	<b>16,096</b>	<b>38,397</b>	<b>(11,631)</b>	<b>(1,050)</b>	<b>3,704</b>	<b>49,260</b>
Operating Transfers In	-	-	-	-	-	662	-	662
Operating Transfers Out	(52,739)	-	-	-	-	-	-	(52,739)
<b>CHANGE IN NET ASSETS</b>	<b>(51,527)</b>	<b>2,532</b>	<b>16,096</b>	<b>38,397</b>	<b>(11,631)</b>	<b>(388)</b>	<b>3,704</b>	<b>(2,817)</b>
<b>NET ASSETS, JANUARY 1</b>	<b>51,527</b>	<b>51,836</b>	<b>32,597</b>	<b>-</b>	<b>27,498</b>	<b>389</b>	<b>718</b>	<b>164,565</b>
<b>NET ASSETS, DECEMBER 31</b>	<b>\$ -</b>	<b>\$ 54,368</b>	<b>\$ 48,693</b>	<b>\$ 38,397</b>	<b>\$ 15,867</b>	<b>\$ 1</b>	<b>\$ 4,422</b>	<b>\$ 161,748</b>

# County of Luce, Michigan

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Year Ended December 31, 2004

	2000 Tax Revolving	2001 Tax Revolving	2002 Tax Revolving	2003 Tax Revolving	Building Department	Abstract	Fair Board	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>								
Receipts from Customers	\$ 6,350	\$ 18,975	\$ 109,273	\$ 47,853	\$ 52,507	\$ 2,680	\$ 28,125	\$ 265,763
Payments to Suppliers	-	-	(863)	(182,091)	(64,126)	(3,703)	(24,421)	(275,204)
Internal Activity - Payments/Receipts with Other Funds	(1,330)	-	863	310	-	-	-	(157)
Net Cash Provided (Used) by Operating Activities	5,020	18,975	109,273	(133,928)	(11,619)	(1,023)	3,704	(9,598)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Proceeds from Notes	-	-	-	315,000	-	-	-	315,000
Principal Payments	-	-	(87,090)	(159,164)	-	-	-	(246,254)
Interest Expense	-	-	(436)	(3,108)	-	-	-	(3,544)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(87,526)	152,728	-	-	-	65,202
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:</b>								
Operating Transfers In	-	-	-	-	-	662	-	662
Operating Transfers Out	(52,739)	-	-	-	-	-	-	(52,739)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(52,739)	-	-	-	-	662	-	(52,077)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>								
Interest Income	598	650	179	591	318	-	-	2,336
Net Cash Provided (Used) by Investing Activities	598	650	179	591	318	-	-	2,336
Net Increase (Decrease) in Cash and Cash Equivalents	(47,121)	19,625	21,926	19,391	(11,301)	(361)	3,704	5,863
Balances - Beginning of the Year	47,121	32,152	12,522	-	28,472	391	718	121,376
Balances - End of the Year	\$ -	\$ 51,777	\$ 34,448	\$ 19,391	\$ 17,171	\$ 30	\$ 4,422	\$ 127,239
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>								
Operating Income (Loss)	\$ 614	\$ 1,882	\$ 16,353	\$ 40,914	\$ (11,949)	\$ (1,050)	\$ 3,704	\$ 50,468
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:								
Change in Assets and Liabilities:								
Taxes Receivable	3,394	13,290	86,247	(159,229)	-	-	-	(56,298)
Accrued Interest Receivable	2,342	3,803	5,810	(15,923)	-	-	-	(3,968)
Due from Other Funds	-	-	863	-	-	-	-	863
Accounts Payable	-	-	-	-	(14)	27	-	13
Due to Other Funds	(1,330)	-	-	310	344	-	-	(676)
Net Cash Provided (Used) by Operating Activities	\$ 5,020	\$ 18,975	\$ 109,273	\$ (133,928)	\$ (11,619)	\$ (1,023)	\$ 3,704	\$ (9,598)

## **Reports on Compliance**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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DEANNA J. MAYER, CPA

**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Luce, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the County of Luce Michigan's basic financial statements and have issued our report thereon, dated April 21, 2005. We did not audit the financial statements of the Helen Newberry Joy Hospital which represents 58% and 67%, respectively, of the assets and operating revenues of the Discretely Presented Component Units of the County of Luce. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Helen Newberry Joy Hospital is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Luce County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over the financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment could adversely affect Luce County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying summary schedule of prior audit findings as items 98-2 and 99-1.

Members of the Board  
County of Luce, Michigan

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. We noted other matters involving the internal control over financial reporting, which we have reported to management of the County of Luce, Michigan in a separate letter dated April 21, 2005.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County of Luce, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2004-1 and 2004-2.

This report is intended solely for the information and use of the Board of Commissioners, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 21, 2005



**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**KINROSS OFFICE**

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**MEMBER AICPA**  
**DIVISION FOR CPA FIRMS**

**MEMBER MACPA**

**OFFICES IN**  
**MICHIGAN & WISCONSIN**

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO  
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133***

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

Compliance

We have audited the compliance of the County of Luce, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, Luce County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, federal awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 21, 2005

# County of Luce, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE:</b>			
Pass-through from the State of Michigan			
Department of Community Health (to LMAS District Health Dept.):			
Women, Infants and Children	10.557	XX4W1006	\$ 127,335
<b>U. S. DEPT. OF HOUSING AND URBAN DEVELOPMENT:</b>			
Direct Awards (to Luce County Housing Commission):			
Section 8 Vouchers	14.871	C-8091V	371,684
Section 8 Supplement	14.182	-	104,070
Total Direct Awards			475,754
Pass-through from the Michigan State Housing			
Development Authority (MSHDA):			
Michigan CDBG Housing Program	14.228	MSC-2004-754-HOA	28,713
Total U. S. Dept. of Housing and Urban Development			504,467
<b>U. S. DEPARTMENT OF HOMELAND SECURITY:</b>			
Pass-through from the State of Michigan Department of			
State Police, Emergency Management Division:			
2003 State Homeland Security Grant Program - Exercise Grant 04/1/03-05/31/05	97.004	-	7,174
2003 Part I State Homeland Security Grant Program 05/1/03-12/31/03	97.004	-	35,556
2003 Homeland Security Grant Program Part II Solution Area Planner	97.004	-	2,315
Emergency Management Performance Grant	97.042	-	2,966
Total U.S. Dept. of Homeland Security			48,011
<b>U.S. DEPARTMENT OF HEALTH &amp; HUMAN SERVICES:</b>			
Pass-through from the State of Michigan			
Department of Human Services:			
Title IV-D Incentive Payments	93.560	-	13,531
Friend of the Court - Cooperative Reimb. 10/01/03-09/30/04	93.563	CS/FOC-04-48001	67,084
Friend of the Court - Cooperative Reimb. 10/01/04-09/30/05	93.563	CS/FOC-05-48001	27,073
Prosecuting Attorney - Cooperative Reimb. 10/01/03-09/30/04	93.563	CS/PA-04-48002	12,249
Prosecuting Attorney - Cooperative Reimb. 10/01/04-09/30/05	93.563	CS/PA-05-48002	5,149
Prosecuting Attorney-Foster Care	93.670	PROFC-04-48002	3,070
Subtotal - DHS			128,156



# County of Luce, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
Pass-through from the State of Michigan			
Department of Community Health: (to LMAS District Health Dept.)			
Family Planning Project	93.217	05H000173	38,286
Immunization Program IAP - Child Immunization Grants	93.268	H23-CCH522556	11,279
Immunization Program IAP - Nurse Trainer Reimbursement	93.268	H23-CCH504477	800
Immunization Program IAP - VFC Visit Reimbursement	93.268	H23-CCH504477	2,700
Vaccine Provided -Value	93.268	-	89,809
Centers Disease Control Prevention Investigation Tech Assist -Bioterrorism	93.283	CCU517018	267,092
Centers Disease Control Prevention Investigation & Technical Assistance - Smoking Prevention	93.283	CCU522826	24,000
Medicaid Administration - Case Management Services	93.778	5XX05MI5048	10,058
Title XIX - Medicaid Program	93.778	-	247,286
Breast and Cervical Cancer Control Prevention	93.919	U57-CCU506738	65,148
Maternal & Child Health Services - Family Planning Project	93.994	B1MIMCHS	11,907
Family Planning Project - Local MCH	93.994	B1MIMCHS	10,000
Family Planning Project - Pregnancy Prevention	93.994	B1MIMCHS	21,300
Maternal & Child Health Services - Local MCH	93.994	B1MIMCHS	26,213
Maternal & Child Health Services - Case Mgmt Services	93.994	B1MIMCHS	6,430
Subtotal DCH Programs			832,308
Pass-through from the Eastern Upper Peninsula Substance			
Abuse Services (EUPSAS): (to LMAS District Health Dept.)			
Adult Benefit Waiver	93.767	-	3,032
Medicaid	93.788	-	15,134
Substance Abuse Prevention	93.959	-	67,500
Substance Abuse Treatment	93.959	-	27,750
Subtotal EUPSAS			113,416
Total U.S. Department of Health and Human Services			1,073,880
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY:</b>			
Pass-through from the State of Michigan Department			
of Environmental Quality (MDEQ): (to LMAS District Health Department)			
Radon Activities	66.032	-	2,800
State Grant to Reimburse Operators of Small Water Systems for Training	66.471	-	3,200
Total U.S. Environmental Protection Agency			6,000

# County of Luce, Michigan

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor/Pass-through/ Grantor/Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures
<b>U. S. DEPARTMENT OF EDUCATION:</b>			
Pass-through programs from:			
Alger Intermediate School District: (to LMAS District Health Department) Early On-Service Coordination & Discretionary Funds	84.181	1349/190	11,336
Subtotal Alger Intermediate School District			11,336
Pass-through from:			
Schoolcraft Intermediate School District: (to LMAS District Health Department) Schoolcraft County Early On	84.181	-	31,363
Subtotal Schoolcraft Intermediate School District			31,363
Total U.S. Department of Education			42,699
<b>U. S. DEPARTMENT OF COMMERCE:</b>			
Pass-through programs from:			
Economic Development Administration Local Technical Assistance	11.303	06-06-04557	7,770
Pass-through programs from:			
Michigan Department of Environmental Quality Coastal Zone Management Grant	11.419	-	3,000
Total U.S. Department of Commerce			10,770
<b>U. S. DEPARTMENT OF TRANSPORTATION:</b>			
Pass-through programs from:			
Michigan Department of Transportation Airport Improvement Program	20.106	B-26-0042-0403	137,700
County Road 438 from County Road 413 (See Note E)	20.205	STP 0448(004)	263,325
Subtotal MDOT Administered			401,025
Pass-through programs from:			
Michigan Department of State Police	20.703	120104-018	1,336
Total U.S. Department of Transportation			402,361
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,215,523</b>

**NOTE A - BASIS OF PRESENTATION:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Luce, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**NOTE B - OVERSIGHT AGENCY:**

The County has not been assigned a cognizant agency. Therefore, the County is under the general oversight of the U.S. Department of Housing and Urban Development which provided the greatest amount of direct awards to the County during 2004.

**NOTE C - FEDERAL EXPENDITURES OF COMPONENT UNITS:**

The following component units of Luce County had separate audits performed during 2004:

- Luce County Economic Development Corporation
- Luce County Housing Commission
- Luce Mackinac Alger Schoolcraft District Health Department
- Luce County Road Commission
- Helen Newberry Joy Hospital

Federal expenditures incurred by each of the component units (if any) are included in the accompanying schedule.

**NOTE D - RECONCILIATION TO BASIC FINANCIAL STATEMENTS:**

The following is a reconciliation of the amounts reported on the basic financial statements to the schedule of expenditures of federal awards:

Total Federal per Financial Statements	
Revenues - Primary Government	\$ 354,686
Add: Component Unit Federal Expenditures	<u>1,860,837</u>
Total Federal Revenue Recognized per Schedule of Expenditures of Federal Awards	<u>\$ 2,215,523</u>

**NOTE E - ROAD COMMISSION GRANTS**

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2004, the Federal aid received and expended by the Road Commission was \$263,325 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the road commissions as they are included in MDOT's single audit.

Section A - Summary of Auditors' Results**Financial Statements**

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	No
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

**Identification of Major Programs****CFDA NUMBERS****Name of Federal Program or Cluster**

14.871	Section 8 Vouchers
10.557	Women, Infants and Children
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

*Reportable Conditions – Internal Control*

**04-1. EXCESS EXPENDITURES OVER APPROPRIATIONS**

*Condition/Criteria:* Public Act 621 of 1978, Section 18, (1) as amended, provides that a county shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County's actual expenditures and budgeted expenditures for the General Fund and Special Revenue Fund's have been shown on a functional basis. The approved budgets of the County for these funds were adopted on an activity and/or program level. During the year ended December 31, 2004, the County incurred functional expenditures which were in excess of the amounts appropriated as shown within in the basic financial statements.

*Effect:* The County is not in compliance with State law.

*Cause of Condition:* Failure to amend the budgets during the year based on the level of expenditures.

*Recommendation:* The County should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

**04-2. DELINQUENT IN DISTRIBUTING TAX REVENUES**

*Condition/Criteria:* The disbursement of current tax collections, to the respective townships was not conducted in a timely manner as of December 31, 2004. The disbursement was not performed until March 3, 2005.

*Effect:* Current tax collections were not remitted in a timely manner to other taxing units.

*Cause of Condition:* Unknown.

*Recommendation:* To ensure timeliness of tax disbursements, disbursements should be made within 10 business days in accordance with Department of Treasury regulations.

*Response:* The board has implemented compensating controls to reduce the risks discussed above.

**C. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS**

NONE.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**98-2. SEGREGATION OF DUTIES - AMBULANCE DEPARTMENT**

*Condition/Criteria:* The office secretary of the ambulance department handles nearly all phases of the accounting function, such as accounts receivable, accounts payable, posting to the general ledger, reconciling, receipting and depositing funds. To maintain a strong internal control system in an organization, one employee should not have responsibility for all phases of an accounting system.

*Effect:* Lack of segregation of duties increases the risk that errors, and irregularities could occur and not be detected in a timely manner.

*Cause of Condition:* Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

*Recommendation:* The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

*Response:* The board has implemented compensating controls to reduce the risks discussed above.

*Status:* No change in 2000, 2001, 2002, 2003 and 2004.

**99-1. SEGREGATION OF DUTIES - EDC (COMPONENT UNIT)**

*Condition/Criteria:* In our assessment of the internal control structure of the EDC, we noted that bookkeeping duties are handled by one individual including accounts receivable, accounts payable, posting to the general ledger, reconciling, and depositing funds. This person also handles bank deposits.

*Effect:* Lack of segregation of duties increases the risk that errors, omission, and irregularities could occur and not be detected in a timely manner.

*Cause of Condition:* Sufficient resources and staff are not available to adequately segregate these functions. Additionally, the benefit of separating these duties does not appear to exceed the costs associated with the added personnel.

*Recommendation:* The Board should be aware of the potential weaknesses in the system and provide appropriate oversight or assistance to personnel when cost beneficial.

*Response:* The board has implemented compensating controls to reduce the risks discussed above.

**B. FINDINGS – FINANCIAL STATEMENTS AUDIT (Continued)**

*Response:* The board has implemented compensating controls to reduce the risks discussed above.

*Status:* No change in 2000, 2001, 2002, 2003 and 2004.

**C. FINDINGS – AUDITS OF FEDERAL AWARD PROGRAMS**

NONE.



## **Additional Information**

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**COUNTY OF LUCE, MICHIGAN**

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**ANDERSON, TACKMAN & COMPANY, PLC**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**

Members of the Board  
County of Luce, Michigan  
Newberry, Michigan 49868

Our report on our audit of the basic financial statements of the County of Luce, Michigan, as of and for the year ended December 31, 2004, appears on page 1. That audit was conducted for the purpose of forming opinions on the basic financial statements. The additional information listed on the following pages regarding the Municipal securities disclosure requirements of the Securities Exchange Commission (SEC) Rule 15c2-12 is presented for purposes of additional analysis and is not a required part of the basic financial statements, and accordingly, we express no opinion on it.

*Anderson Tackman & Co. PLC*

**Anderson, Tackman & Company, PLC**  
**Certified Public Accountants**

April 21, 2005

### NOTE 1 - DEBT ISSUES APPLICABLE TO SEC RULE 15c2-12 DISCLOSURE REQUIREMENTS:

Debt issues of \$1,000,000 or more sold on or after July 3, 1995 are applicable to SEC rule 15c2-12 disclosure requirements. As of December 31, 2004, the County has the following debt issues which apply to SEC Rule 15c2-12:

- 1 \$1,400,000 County of Luce 1996 General Obligation Unlimited Tax Bonds.

### NOTE 2 - TABLES:

The following tables are included in the debt issues and are required to be updated annually to comply with the Municipal Securities disclosure requirements of the SEC Rule 15c2-12:

#### A. State Equalized Valuation:

Assessed Value as of December 31	Year of State Equalization and Tax Levy	County's Fiscal Year Ended or Ending	Taxable Value	Percent Increase Taxable Value	Total SEV	Percent Increase Over Prior Year
1997	1998	1999	\$ 98,665,975	7.7	\$ 128,878,611	16.5
1998	1999	2000	104,303,202	5.7	146,014,375	13.3
1999	2000	2001	111,412,105	6.8	163,307,526	11.8
2000	2001	2002	121,116,858	8.7	180,884,361	10.8
2001	2002	2003	128,876,179	6.5	197,567,606	9.2
2002	2003	2004	135,830,650	5.4	216,451,147	9.6
2003	2004	2005	145,403,181	7.0	241,975,566	11.8

Per Capita Total SEV for the Fiscal Year Ending December 31, 2004 (1). \$34,450.

(1) Based on the County's population estimate of 7,024.

Source: County of Luce

#### B. Tax Rates - Five Year History (1):

	Year of Levy (December 1)				
	2004	2003	2002	2001	2000
County Operating	5.5965	5.6859	5.7713	5.8021	5.1358
Ambulance	.9484	.9636	.9781	.9834	1.0000
Ed & JC Annex	-	-	-	-	-
Parks & Recreation	.4848	.4926	.5000	.4280	.4352
Extension	.4848	.4926	.5000	.4280	.4352
Hospital Bond Debt Service	2.0000	2.0000	2.0000	2.0000	2.0000
Animal Control	.4035	.4100	.4010	.4032	.4100
Airport	.4848	.4926	.5000	-	-
Total	<u>10.4028</u>	<u>10.5373</u>	<u>10.6504</u>	<u>10.0447</u>	<u>9.4162</u>

(1) Per \$1,000 of SEV. Excludes taxes levied by underlying taxing units.

Source: County of Luce

NOTE 2 - TABLES: (Continued)

C. County Tax Collections Record-Five Year History:

Levied December 1	County Tax Levy December 1 (1)	Collections to March 1 Year Following Levy	Collections to August 1, 2004 (2)
1999	549,366	481,721	87.69
2000	571,226	502,959	88.05
2001	702,851	624,783	88.89
2002	744,153	662,331	89.00
2003	722,591	673,448	93.19

- (1) The County's fiscal year begins January 1. Taxes are due the previous December 1 and are returned as delinquent the following March 1. Taxes on real property remaining delinquent after 26 months from the date of delinquency are sold at a tax sale.
- (2) Includes payments from the Fund; unpaid personal property taxes which are less than 1% of the total levy are immaterial.

Source: Luce County

D. Major Ad Valorem Taxpayers:

Taxpayer	Principal Product or Services	2004 Taxable Value	% of 2004 Taxable Value
Louisiana Pacific	Wood Products	\$ 4,839,700	3.33%
Michigan – DNR	State Government	2,704,200	1.86
Goldthorpe Enterprises	Motels and Land	1,741,200	1.20
Cloverland Electric Co-op	Utility	1,541,200	1.06
Zellar's Inc.	Restaurant, Motel, & Trucking	1,249,300	.86
I.D. Dillon, Inc. (Days Inn)	Hotel	830,000	.57
Joseph Rahilly (Rahilly IGA)	Grocery	780,300	.54
Heartwood Forestland Fund	Timber	633,700	.44
Pickelman's	Restaurant, Bar and Gas Stations	614,700	.42
Barret Co.	Restaurant, Gift Shop, Mechanical Repair	601,400	.41
		<u>\$ 15,535,700</u>	<u>10.69</u>

Source: Luce County

## NOTE 2 - TABLES: (Continued)

### E. Constitutional Debt Limitations:

Article VII, Section 6 of the State Constitution states "No county shall incur any indebtedness which shall increase its total debt beyond 10% of its assessed valuation." The Bonds are included within this debt limitation.

#### Statement of Legal Debt Margin (as of December 31, 2004)

2004 state Equalized Valuation	\$ 241,975,566
Legal Debt Limit (10% of SEV)	24,197,556
Debt Outstanding	<u>1,197,836</u>

Margin of Additional Debt Which Could Legally be Incurred Subject to Debt Limit	<u>\$ 22,999,720</u>
--	----------------------

Percentage of Debt Outstanding to 2004 SEV	.50%
--	------

Source: Municipal Advisory Council of Michigan and First of Michigan Corporation

### F. Debt Statement: (as of December 31, 2004, including the notes)

<u>Direct Debt of County</u>	<u>Gross</u>	<u>Self-Supporting Of Portion Paid Directly by Benefitted Municipalities</u>	<u>Net</u>	<u>Net Debt</u>	
				<u>Per Capita</u>	<u>% of SEV</u>
Go Tax Notes	\$ 155,836	\$ 155,836	\$ -	\$ -	-\$
Sewer	372,000	372,000	-	-	-
Voted GO	365,000	-	365,000	51.97	.151
Building Authority	<u>305,000</u>	<u>-</u>	<u>305,000</u>	<u>43.43</u>	<u>.126</u>
Total Direct debt	<u>\$ 1,197,836</u>	<u>\$ 527,836</u>	<u>670,000</u>	<u>95.40</u>	<u>.277%</u>

\* No County credit pledged.

#### County Overlapping Debt (1)

Village	1,976,132	281.34	.8167
Schools	239,925	34.16	.099
Townships	<u>155,868</u>	<u>22.19</u>	<u>.064</u>
Total Net Overlapping Debt	<u>2,371,925</u>	<u>337.69</u>	<u>.9797</u>
Total Direct and Net Overlapping Debt	<u>\$ 3,041,925</u>	<u>\$ 433.09</u>	<u>1.2567%</u>

(1) Overlapping Debt is the portion of other public debt for which a County taxpayer is liable in addition to the Direct Debt of the County.

Source: Municipal Advisory Council of Michigan and First of Michigan Corporation

**NOTE 2 - TABLES: (Continued)****G. Debt Service Schedule:**

Refer to Note 8, Long-Term Debt in the Notes to Financial Statements.

**H. Labor Contracts:**

Of the County's employees, 22% are represented by labor organizations. The following table illustrates the various labor organizations which represent County employees, the number of members and part-time employees, and the expiration dates of the present contracts.

<u>Organization</u>	<u>Number of Employees as of December 31, 2004</u>	<u>Contract Expiration Date</u>
AFSCME Local #2430 (Sheriff's Department)	4	12/31/06
AFSCME Local #2430 (District Court)	2	12/31/06 *
AFSCME Local #2430 (General Employees)	10	12/31/06
Non-Union	<u>20</u>	N/A
Total	<u><u>36</u></u>	

Source: County of Luce

\*Contract has an economic re-opener clause for 01/01/05 and 01/01/06.

**I. Future Financing:**

The County Treasurer anticipates the General Limited Obligation Tax Notes will be issued in the next six months to finance the purchase of delinquent taxes in the amount of \$375,000. The County Treasurer reports that there are no other bond or note financing planned to be issued by the County within the next six months.

**J. Vacation and Sick Leave:**

Refer to Note 8, Long-Term Debt in the Notes to Financial Statements.

**K. Pension Plan:**

Refer to Note 11, Employee Retirement and Benefit Systems in the Notes to Financial Statements.

**NOTE 2 - TABLES: (Continued)**

**L. Installment Purchase and Lease Obligations:**

Refer to Note 7, Leases in the Notes to Financial Statements.





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**REPORT TO MANAGEMENT**

Members of the Board  
County of Luce, Michigan  
Newberry, MI 49868

We have audited the basic financial statements of the County of Luce, Michigan for the period ended December 31, 2004, and have issued our reports thereon dated April 21, 2005. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133**

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered County of Luce's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Luce's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about County of Luce's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on County of Luce's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on County of Luce's compliance with those requirements.

### **Significant Accounting Policies**

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the County of Luce are described in Note 1 to the financial statements. We noted no transactions entered into by the County of Luce during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

### **Significant Audit Adjustments**

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. These adjustments may include those proposed by us but not recorded by Luce County that could potentially cause future financial statements to be materially misstated, even though we have concluded that such adjustments are not material to the current financial statements.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the County of Luce's financial statements our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Luce's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

### **Comments and Recommendations**

The following is a summary of our observations with suggestions for improvements we believe should be brought to your attention. We also noted other material matters involving compliance and internal control over financial reporting, which we have reported in a separate letter in accordance with *Government Auditing Standards*.

#### **Fixed Assets (prior year)**

The capital outlay accounts contain items that are less than the \$5,000 capitalization amount per the capitalization policy. Any items less than this amount should be recorded in another account. The items recorded in the capital outlay accounts should agree in total with the new additions to the fixed asset listing. We recommend recording equipment less than \$5,000 in a minor equipment account and repair and maintenance items in the applicable repair and maintenance accounts.

#### **Manual Accounting System - Luce County Ambulance (prior year)**

The Luce County Ambulance Fund maintains a manual accounting system. The system is extremely cumbersome and time consuming to maintain as it requires manually posting entries to individual accounts receivable cards, a cash receipts log, a cash disbursements log and a general ledger. As most of the Ambulance fund's revenue is from Medicare, Medicaid and other third-party payers which involve numerous contractual adjustments, the accounting becomes complex. In 2004, the office secretary began using QuickBooks to account for ambulance operations. In the first phase, the secretary began use of the disbursements module. Further training is required to implement the receipts module which will allow the office secretary to maintain accounts receivable subsidiary records as well as an aging of accounts receivable listing.

### Ambulance Receivables

The County was unable to provide an aging report for ambulance receivables, which is necessary to determine the proper uncollectible allowance. This is, in part, due to the fact that the Ambulance accounting of receivables is performed manually. This could be rectified by implementing the use of an aging report available with QuickBooks.

In addition, receivables outstanding, that are older than one year, constitute 49% of the total receivable balance. An allowance for doubtful accounts receivable should be established to account for such old receivables. The allowance would offset the receivable balance resulting in greater accuracy.

### Travel Expenses (prior year)

While reviewing legal expenditures, we noted that travel expenditures are also recorded in the account. We recommend that these expenditures be recorded in the proper account.

### Fixed Assets

The fixed asset listing was not inclusive of all the fixed assets owned by the governmental entity. We recommend that an inventory be performed of all fixed assets to ensure that all items are accounted for in the entity's records, in accordance with the capitalization policy.

### Payroll

During a review of payroll, the following exceptions were noted: two employees currently do not have the proper authorization on file for the deduction of health insurance, one employee does not have a current W-4 Form for the entire extra Federal Income Tax withheld, and one employee does not have any authorization for deduction on file for the cancer insurance. It is recommended that proper authorization be documented in each employee's personnel file.

### Airport

The airport does not maintain a receipting system. To improve documentation of monies received at the airport, it is recommended a duplicate receipting system be maintained by the airport – giving a copy of each receipt to the customer.

**Conclusion**

This information is intended solely for the information and use of the Board of Commissioners, management, federal and state awarding agencies, pass-through entities and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



**Anderson Tackman & Company, PLC**  
**Certified Public Accountants**

April 21, 2005